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ESTIMATES OF LEVELS OF TAX HAVEN USE

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Estimates of Levels of Tax Haven Use

A Study to Quantify the Use of Tax Havens
for a Report Submitted by:
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International Taxation, on Tax Havens and
Their Use by United States Taxpayers
-An Overview

Tax Haven Study Group

May 1981

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I

Economic Characteristics of Tax Haven Areas

A major purpose of the study of tax havens and their use by United States taxpayers was the estimation of the magnitude of tax haven money flows. A first step in attempting to accomplish this purpose was the formulation of a working definition of a tax haven. Economic data were studied to determine whether it is possible to define such an area purely on the basis of economic criteria. While this effort did not succeed, it led to a significant finding. It was found that almost all of the excess foreign assets of the world's financial institutions have been moved to tax haven areas. This chapter will discuss briefly what makes an area a tax haven, what is meant by excess foreign assets and the nature of the evidence that shows the concentration of excess financial assets in these jurisdictions.

The traditional approach is to define a tax haven jurisdiction in terms of its legal structures which make it possible to accumulate certain types of assets or earn particular incomes with little or no local tax consequence. The term may be limited to include only those jurisdictions which have effective commercial secrecy laws or are allegedly attempting to become offshore financial centers. An offshore financial center is a territory where a conscious policy of encouraging offshore banking business is followed. This is done by drawing a line between resident and non-resident banking operations, removing reserve requirements on the latter, and applying separate rules with respect to taxation, foreign exchange and banking controls to favor non-resident banking in non-domestic currencies.

Such business in foreign currencies yields local public revenues, typically in the form of modest levies and taxes on resident financial institutions, without adversely affecting the domestic monetary policies of the offshore center. If the levies and taxes are not kept at modest levels, the banks attracted to that area would move to another center. A more significant benefit of hosting offshore banks may be the contribution these banks make to domestic employment opportunities. Even an offshore center which is a "paper center," consisting mainly of "shells" where little or no actual banking operations are conducted, can generate enough new jobs and additional local incomes to make the center attractive to the host government. A "paper center," such as Cayman Islands, acts primarily as a location of record, in contrast to a "functional center," such as London, where the banks provide a full range of financial intermediation and other banking services.[1]

A. Criteria to Identify Tax Haven Areas

In preparing a list of tax haven areas for this study, consideration was given to both legal and economic criteria. For reasons explained below, it did not prove feasible to develop an economic definition of a tax haven. Instead, the term tax haven was defined as an area that has little or no income tax (compared with the United States), and a high level of bank or commercial secrecy that the country refuses to breach even under an international agreement. Most tax havens also have one or more of the following additional characteristics: (a) disproportionate importance of banking and similar financial activities in the economy of the jurisdiction; (b) availability of modern communications facilities; (c) lack of exchange controls on non-resident deposits in foreign currencies; and (d) self promotion as an offshore financial center.

Because of data limitations, estimates of tax haven funds were in some cases not prepared for areas which are of minor economic significance even though they meet the above-stated definition. Moreover, the estimates that were prepared for different purposes to measure the various aspects of tax haven use do not all cover the same set of areas. To achieve complete coverage and absolute consistency would have been impractical or would have involved unwarranted assumptions. All the same, when data were available estimates were prepared for all tax havens that are of major importance with respect to each aspect analyzed. For example, Liberia which is an important tax haven for the shipping industry, but not for banking and finance, was included in the estimates of assets owned by the foreign corporations in the havens controlled by U.S. corporations, but not in the estimates of international deposits held in those areas. On the other hand, data for the Cayman Islands--a major offshore financial center--were included in the estimates of deposits held in the havens, but not in the estimates of corporate assets owned in those areas, because of the relatively minor importance (according to IRS data) of foreign corporate assets controlled by U.S. corporations over the period covered.

From an economic point of view, an area stands out as a tax haven jurisdiction primarily because of the disproportionate size of its financial sector relative to the rest of its economy. These areas also seem to generate disproportionate amounts of currency flow from the United States.[2] Tax havens actively seek financial business and develop the necessary banking and other facilities to promote themselves as tax havens. Some public policies in non tax havens may encourage more intensive use of tax haven jurisdictions. For example, exemptions may be granted from regulations affecting foreign transactions to protect competitive positions, or restrictions may be imposed to improve the balance of payments which may induce financial assets to move abroad, often to a tax haven.[3] The business that is thus channelled abroad to offshore centers adds to the financial accumulations in tax haven jurisdictions.

Ideally, an attempt to establish economic criteria to define a tax haven territory would have to cover measures and assessments of the assets and liabilities of all its resident economic entities. As a practical matter, an economic definition of a tax haven area must be formulated in terms of available statistical information. The comprehensive data on the foreign accounts of financial institutions prepared since the May 1980 issue of International Financial Statistics (IFS) of the International Monetary Fund (IMF) provide a broadened statistical basis for defining a tax haven area. Even the new data are not sufficiently comprehensive. The improved data on the foreign assets and liabilities of deposit banks prepared by the IMF present a reasonably complete picture of the foreign accounts of commercial banks, international license banks and other financial institutions that are authorized to accept regular demand, time or savings deposits. However, for practical reasons, mainly related to data availability, the IMF has not yet developed statistics on the foreign accounts of financial units that do not accept deposits. Thus, excluded from the broadened measures of international liquidity are most of the assets owned by such organizations as captive insurance companies, pension and welfare funds, bond-issuing companies, mutual funds, private trusts and insurance companies. (Some of the deposit assets of these institutions are indirectly covered by the new IFS series, to the extent that they are held in deposit banks.) Moreover, excluded from the IMF data are the business assets of multinational firms operating in the tax haven areas. Because of such serious limitations, at present, an adequate economic definition of a tax haven area is not feasible. However, a study of the available IMF data pointed to enormous concentrations of financial assets.

B. The Large Financial Concentrations

It is the relative, rather than the absolute size of--or changes in--foreign assets held by a country's deposit banks that indicate disproportionate holdings. Larger economies and those more heavily dependent on foreign trade may be expected to maintain proportionately higher holdings of international banking assets. Over the past decade commercial banking activity has become more international. According to statistics prepared by the IMF, between 1970 and 1978, the world total of the foreign assets of deposit banks showed a six-fold growth, twice the rate of growth in world trade over the same period. To have valid measures of expansion in holdings of financial institutions in tax haven areas, the strong influence of these general tendencies must be recognized and allowed for.

The simplest and most objective method to adjust for differences in foreign asset holdings attributable to size of the economy, dependence on foreign trade and the general expansion of international banking is through the use of comparative ratios of foreign assets to foreign trade of the country. Thus, whether the actual foreign assets held in a given country are excessive or not should be determined after comparing the ratio of the foreign assets to the foreign trade of that country with the ratio of the world total of foreign assets to the world total of foreign trade. Applying this method special statistics were developed that translate for each area of interest absolute holdings of foreign assets to holdings above or below the world average. Table 1 compares the foreign assets held by deposit banks in the tax haven areas with similar assets held elsewhere in terms of these special measures. The foreign assets of deposit banks consist of gold and claims on nonresidents.

Table 1 shows the contrast between the foreign assets of deposit banks in the tax havens and in all other jurisdictions. The figures were calculated by subtracting from the actual asset holdings of the banks of an area the assets they would have held to maintain the same relationship to the foreign trade of that area as the world banks on the average maintained in supporting with their assets the foreign trade of the world.[4] For example, total foreign assets held by deposit banks in the Bahamas was $6.4 billion in 1970, $36.6 billion in 1974 and $95.2 billion in 1978. A small portion of these--namely, $0.2 billion in 1970, $1.0 billion in 1974 and $1.8 billion in 1978 was presumably needed to finance the foreign trade of this area. (These estimates are based on average relationships of foreign assets to foreign trade observed in world as a whole.) Consequently, the differences between the total foreign assets and the portions needed to meet the credit needs associated with the imports into and exports out of the Bahamas represent the excess international assets shown in Table 1. In a more industrialized country like Switzerland, larger volumes of foreign assets were needed to finance its foreign trade. These sums were estimated to be $2.7 billion in 1970, $6.8 billion in 1974 and $18.3 billion in 1978. The sums shown in Table 1 as excess foreign assets for Switzerland for these years are assets owned by deposit banks resident in Switzerland over and above the assets required to provide export-import financing.

The adjustments in the measures of deposit bank foreign assets presented in Table 1 provide only approximately correct results in identifying the financial concentrations attributable to the use of tax havens. Further technical refinements are possible to reflect, for example, that some countries traditionally channel a large portion of their trade through major financial centers, notably London and New York. A good illustration of special channeling is the U.S. acceptance market which has traditionally been used to finance a significant portion of Japan's foreign trade. Introducing factors of this type into the adjustment procedures, however, may also introduce subjective bias into the measures of financial concentration. Also, it is doubtful whether further refinements in technique would make a significant difference in the final results attained.

The table shows that the excess assets of tax havens are very large and have been growing at very rapid rates. In the Bahamas, for example, the growth is from $6.2 billion in 1970 to $35.6 billion in 1974 and on to $93.4 billion in 1978. In Panama, the growth is from $0.1 billion in 1970 to $3.9 billion in 1974 and on to $14.6 billion in 1978. For all tax haven areas surveyed, the growth in excess foreign assets was from $16.0 billion in 1970 to $289.3 billion in 1978. These figures represent 12 percent and 31 percent of all the foreign assets held by deposit banks in 1970 and 1978 respectively.

Table 1
Foreign Assets of Deposit Banks in Tax Haven Areas and Elsewhere

(In Billion Dollars)

Area	Holdings Above (+) or Below (-) the World Average		
	1970	1974	1978
Western Hemisphere tax havens[1]	6.9(e)	46.1(e)	136.5(e)
Bahamas	6.2	35.6	93.4(e)
Bermuda	0.3(e)	0.7(e)	1.2(e)
Cayman Islands	0.8(e)	3.5	22.5(e)
Netherlands Antilles[2]	-0.7	-1.0	0.2
Panama	0.1	3.9	14.6(e)
Other tax haven areas surveyed	9.1	54.6	152.8
Bahrain	-0.6	-0.5	16.4(e)
Hong Kong	-0.2	2.2(e)	9.1
Luxembourg-Belgium[3]	1.4	20.2	53.0
Singapore	-0.5	3.1	11.8
Switzerland	9.0	29.6	62.5
All tax haven areas surveyed	16.0(e)	100.7(e)	289.3(e)
United Kingdom (including the tax havens Channel Islands and Isle of Man)	24.4	78.3	128.3
France	0	6.4	16.8
United States	-12.5	-26.4	-45.5
Industrial countries except those listed above	-6.3	-66.8	-183.0
Oil exporting countries	-4.2	-34.0	-78.3

(e) indicates estimate.

[1] The totals include estimated assets that are held either in areas such as British West Indies other than Cayman Islands, Barbados and Costa Rica or assets that should have been, but due to practical difficulties have not been, included in the areas listed.

[2] The deficit assets have been overstated and the excess assets understated because of the re-export trade in this area which does not require as much financing as other foreign trade.

[3] The excess assets held in Luxembourg and Belgium are combined since the foreign trade data for each country could not be isolated (a free-trade zone combines the external trade of these two areas.)

Source: Bureau of Statistics of the International Monetary Fund and IRS staff estimates in a few instances.

The growth in excess foreign assets of the tax haven areas surveyed would not have been much less if it were adjusted for the inflation of the dollar in the 1970s. Between 1970 and 1974, these assets increased at an average annual rate of 57 percent; between 1974 and 1978 they increased at an annual rate of 31 percent. The annual rates of inflation of the U.S. dollar over these two periods were 6.0 percent and 6.4 percent respectively.

When all the countries or areas in the world were classified according to positive or negative holdings of foreign assets relative to the world average, in 1978, there appeared to be only 14 areas whose foreign assets were excessive relative to the world average. In contrast, 112 areas had assets relative to their trade that fell below the world average. Countries with excess assets included the United Kingdom (UK) and France. In both instances there are special reasons why this should be so.

In the UK, the oldest international financial center of the modern world, foreign-currency transactions with non-residents are exempt from exchange control regulations and withholding taxes on interest. (A small levy is charged, however, on loans made through London.) Moreover, the banking statistics on the UK includes the loans and deposits of banks in the tax havens of the Channel Islands and the Isle of Man. In France, export financial aid is handled through the private banks. This would be equivalent to combining the accounts of the commercial banks in the United States with those of the U.S. Export-Import Bank. Moreover, the size of the excess foreign assets in France has never been too large compared with the size of the total deposits kept in that country. In the early 1970s, the excess foreign assets as a percent of total such assets of deposit banks were under five percent. In the late 1970s, the comparable percentage, on the average, was less than 15 percent.

Because of these special reasons if the UK and France are excluded from the analysis, about 99 percent of the remaining excess foreign assets of the deposit banks of the world appear to have been placed in areas considered to be tax havens in this study. (The rest were in Lebanon and Austria.) Belgium which is not a tax haven, could not be separated from Luxembourg for the purpose of measuring Luxembourg's excess assets. With this minor exception, the statistics used were sufficiently specific to measure the degree to which titles to banking assets have been accumulating in tax havens. It is evident, therefore, that, taking advantage of the internationalization of capital markets, the excess earning assets of deposit banks have been shifted to jurisdictions which offer the most favorable environments from the standpoints of taxation and regulation.

The figures in Table 1 are not estimates of the total size of tax haven funds because significant volumes of funds accumulate outside of the banking systems.[5]

II

Data Trail of the Flow of Funds through Tax Haven Jurisdictions

There are many channels through which funds may flow, and repositories in which funds may accumulate, in tax haven areas. Before discussing the extent to which these funds can be estimated, it may help to have a basic overview of the different transactors and types of assets involved in tax haven transactions. This chapter presents a systematic discussion of who holds funds in the tax havens abroad, the forms in which these funds are held, and, given the available data sources, the size of these funds.

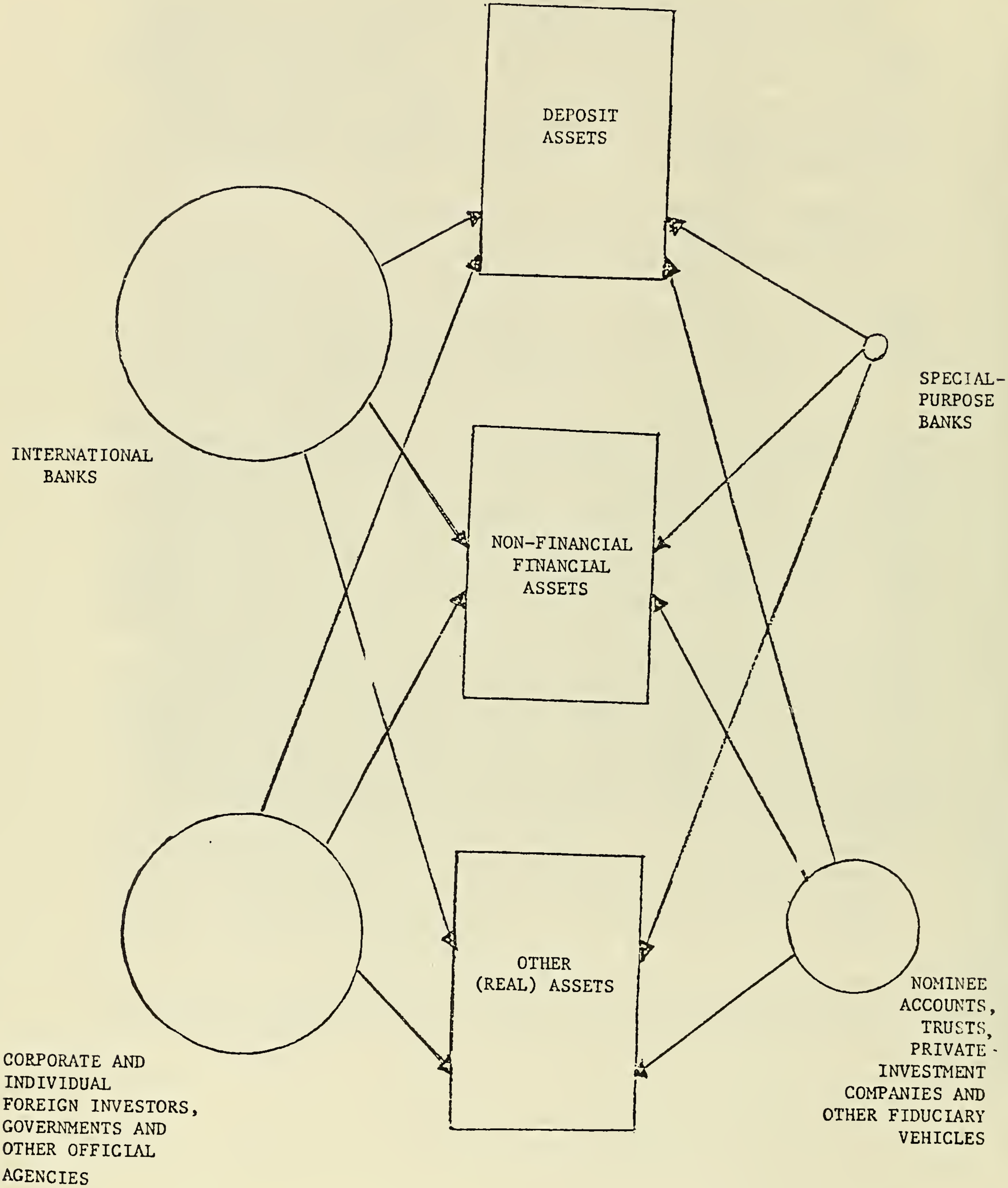
A. Diagrammatic Representation of Tax-Haven Funds

The diagram on the next page provides a schematic description of the categories of transactors and their transactions involving each of three principal components of tax haven assets. Circles identify the types of transactors and boxes indicate the types of assets owned by tax haven transactors. The relative sizes of the circles indicate roughly the relative volumes of funds handled by the different transactors.

Corporate and individual foreign investors, governments, and other official agencies are grouped together since, from existing data, it is seldom possible to separate the interests of corporate and individual transactors from governmental and other official non-bank transactors. Both the international banks and non-bank transactors hold large volumes of deposits in the banking systems of tax haven areas. They also are heavy investors in non-deposit financial assets. International banks deal in large amounts of eurobonds and floating rate notes, for example, while captive insurance companies are heavy investors in fixed-income as well as floating-rate securities.[6] International banks, multinational corporations, governments and other official agencies also invest in other (non-financial) assets through tax havens. Such assets are frequently real estate, but may also include commodities, gems and precious metals -- especially gold. There are few reliable data to inform estimates of relative percentages.[7] Finally, there are also individuals who keep deposits in foreign branches of banks resident in tax haven areas, in order to take advantage of the higher eurocurrency interest rates, or who invest in non-deposit financial and other assets.

CHART 1

DATA TRAIL OF FINANCIAL FLOWS THROUGH TAX HAVEN JURISDICTIONS


DEPOSIT ASSETS
INTERNATIONAL BANKS
SPECIAL-PURPOSE BANKS
NON-FINANCIAL FINANCIAL ASSETS
OTHER (REAL) ASSETS
CORPORATE AND INDIVIDUAL FOREIGN INVESTORS, GOVERNMENTS AND OTHER OFFICIAL AGENCIES
NOMINEE ACCOUNTS, TRUSTS, PRIVATE INVESTMENT COMPANIES AND OTHER FIDUCIARY VEHICLES

Two other types of transactors can be seen in Chart 1 to be transactors of business in tax havens. Special-purpose, privately-owned banks are often chosen by international investors for their tax haven transactions. While the total dollar volume of their transactions are believed to be relatively small when compared with the volume of tax haven business of major international banks, there is no way of establishing this point reliably. Data on special-purpose banks are commingled with data on major international banks; hence they are lost in such statistical reports as do exist.

Other non-bank transactors in tax havens that are also of special interest to tax authorities include bank and other nominees of non-banks, private investment companies, trusts and other fiduciary vehicles. The deposits of such transactors are not separable from other non-bank deposits. Thus it is seldom possible to compute by use of available statistics the share of non-bank deposits which are held by these transactors. However, a partial measure of the assets held by non-banks in the havens is available in statistics of their transactions in non-deposit financial assets. Investments in Swiss bank "fiduciary accounts," to be discussed in the next section, is a notable example since data on these can be traced in lengthy time series, recently with good geographic detail. However, there exist only limited possibilities of distinguishing the investments of individuals using nominees, private investment companies, and trusts, in non-financial assets -- such as real estate, commodities, gems and precious metals -- from those of other (private and public) non-bank transactors in tax haven jurisdictions.

B. Tracking the Data on Deposit Assets

Data on international deposits are of crucial importance in tracking tax haven funds. This is because a major part of international capital flows through channels provided by international banks. Of particular interest are the international deposits owned by trusts, private investment companies, multinational corporations, individual investors and other non-banks.

Persons other than banks located in tax havens can keep deposits in banks located in their local areas, or in banks located elsewhere. Similarly, transactors living outside the tax haven areas may make deposits either in their local banks or in banks located in offshore centers. This basic economic fact must be recognized in developing sufficiently inclusive estimates of tax haven money flows. Focusing merely on deposits made in haven banks would miss the many billions of dollars that are deposited by tax haven entities in major banks outside the tax haven jurisdictions.

Two reliable statistical trails exist on the basis of which to estimate the assets of tax haven transactors. First, data on the banking systems of each designated tax haven area, taken one at a time, can be examined to measure or estimate the volume of international deposit assets attributable to individuals, businesses, trusts, private investment companies, and other non-bank transactors, commingled in one category. Second, use can be made of data on the collective banking systems of the major advanced countries. Combining information from these two data sources yields more comprehensive estimates of tax haven deposits, which cover both the deposits made in the tax haven area banks and deposits made through the tax havens in banks located outside these areas.

Fortunately, since 1975, the Bank for International Settlements (BIS) has collected, aggregated, and published data with geographic subtotals on the external assets and liabilities of banks in major industrial countries (and of branches of American banks in certain non-European international banking centers) vis-a-vis the tax havens. The liabilities major banks (that report to BIS) have to residents in the tax havens, by definition, equal the assets tax haven residents hold at these banks. The data on bank liabilities that show geographic subtotals thus provide the counterpart statistics of international deposits of residents of the tax havens (which cannot always be measured directly). With such data, the problem of estimating offshore deposits becomes more manageable. More specifically, by subtracting from these BIS statistics the known and/or estimated data on the foreign deposits of banks resident in each tax haven area, the total external bank deposits of non-banks resident in most tax havens can be estimated as a residual.

This method will not work in deriving estimates for the size of deposits kept in banks outside of some areas like Singapore. The reason is that a few important banking centers accepting deposits from Asian countries do not report to the BIS--the prime source of counterpart statistics of foreign banks deposits of tax haven residents. (The offshore branches of European banks also do not report to the BIS.)

Thus, although admittedly the BIS data on the liabilities of the world's major banks to residents of tax haven area jurisdictions are not yet as comprehensive as might be desired, they are, nevertheless, the best data available to implement the required estimation procedure. This procedure may be illustrated by the following example. Consider the BIS reported liabilities of major banks to a given tax haven country -- Bermuda -- which represent the counterpart of foreign bank deposits of Bermuda residents. If the foreign bank deposits of banks in Bermuda are subtracted from the total BIS-reported liabilities, the remaining liabilities form a residual whose counterpart, logically, must be the total of foreign bank deposits of non-bank residents of Bermuda. (The foreign bank deposits of banks in Bermuda may be measured or estimated from data series derived from statistics on Bermuda.) Differences between two successive years of data on non-bank deposits, both with banks in Bermuda and outside of Bermuda, will produce a measure of net flows into the banking system during the more recent year from non-bank residents in Bermuda.

An example for 1977-1978 will clarify this procedure. From the data series shown in Appendix B, it is known and/or estimated that non-banks in Bermuda had foreign currency deposits with banks in Bermuda of $0.1 billion at the end of 1977 and $0.1 billion also at the end of 1978. It is also known and/or estimated that banks in Bermuda had as part of their assets foreign currency claims on banks or foreign bank deposits of $1.0 and $1.4 billion at the end of 1977 and 1978, respectively. While such volumes are relatively small in Bermuda, they are much larger in other tax-haven jurisdictions. They are, in any case, adequate to illustrate the use of counterpart statistics without which the estimation effort would have been severely handicapped.

To continue, from BIS data, it is known that major world banks had liabilities to residents of Bermuda of $4.0 and $5.7 billion at the same dates. By subtraction, then, major world banks must have had liabilities of $3.0 and $4.3 billion to non-banks in Bermuda at the end of 1977 and 1978 respectively. The total bank deposits held by non-banks in Bermuda at the end of 1977 and 1978 will thus be the sum at each date of their deposits with banks in Bermuda and banks outside Bermuda, or $3.1 and $4.4 billion. During 1978, therefore, it is estimated that such deposits increased by $1.3 billion.[8]

Similar procedures were used to determine the levels and flows of deposits owned by non-banks in most tax havens for each year 1975 to 1978. Since counterpart BIS data prior to 1975 are not available, the estimation of foreign deposit assets of non-bank tax haven residents was not attempted. However, national source data from the United Kingdom and Switzerland, which are the only countries that disaggregate the foreign liabilities of their banks into foreign bank and non-bank depositors, were used to augment the BIS data as a basis for estimating the deposits kept by residents of the Bahamas and Cayman Islands outside of their territories.

It will be noticed that successful application of the method described above depends not only on how comprehensive the BIS data on the major banks of the world is, but also on the availability, scope and methodologically correct use of national source data on the banking systems of each individual tax haven area. Because evaluation of the national source banking data involves discussions of considerable technical complexity, the systematic description of these data informing the money-flow estimates has been relegated to Appendix A.

C. The Data on Non-Deposit Financial Assets

There were only limited data on the volume of nondeposit financial assets, such as trust and other fiduciary accounts held for the benefit of individuals and other persons. Further studies in the future, combining conversations with international bankers and lawyers with more intensive use of data prepared by the Internal Revenue Service and other government organizations both in the United States and abroad, may close some of the data gaps in this area. In the meantime, for all practical purposes, the limited data on non-deposit financial assets cover only funds held in Switzerland.

Swiss banks accept and maintain three relevant types of accounts: regular deposit accounts, trust-like "fiduciary accounts," and other trust-like accounts referred to herein as "securities/advisory accounts."

Data on regular deposit accounts are available, and are discussed in Appendix A. Data on "fiduciary accounts," in terms of total volume, are available in lengthy time series; since 1976, however, they are also available in more elaborate geographic detail that help to identify the nationality of the real owners on the theory that they are likely to be residents of the areas from where the funds into these accounts have been placed. Published data on "securities/advisory accounts" are unavailable, but the volume of such accounts are estimated, by informed sources, to be quite large.

Only limited, frequently very limited, data are available on financial assets other than bank deposits held by non-bank residents of the tax haven countries surveyed. Trust accounts held by banks in Luxembourg can be measured in lengthy time series; such accounts, however, are estimated to be quite small compared with Switzerland.[9/] Several key tax havens, notably in the Caribbean, do not provide any data on the volume of assets owned by such institutions as locally-incorporated private investment companies, trusts and other fiduciary vehicles. They do provide some statistics on the number and types of institutions registered. For such locally-chartered tax haven vehicles, there are simply no reliable financial data to inform estimates of the magnitudes of their non-deposit assets.

These shortages of hard data limit the estimation procedure. Nonetheless, the data available in Swiss sources remain particularly valuable and provide a basis for speculating on the size of funds flowing through the other tax haven areas. Allegedly, a large proportion of non-bank investors' assets are routed through tax havens, perhaps through several successive tax havens, to achieve a "layering" of multiple secrecy laws. These funds almost never stay within an economically underdeveloped tax haven territory. Tax planners, however, may find it expedient to leave the ownership vehicles in the tax haven areas regardless of how economically less developed the areas may happen to be. In the Caribbean, in particular, it is believed that the funds flowing through the area are virtually all reinvested in more developed countries, although a large number of ownership vehicles remain there. The tax havens themselves thus appear to act primarily as "turntables," accepting funds from one place, cloaking them with secrecy and anonymity, and reinvesting them elsewhere.

Many believe that the largest proportion of these funds get their final layer of secrecy in Switzerland. Recent trends in funds flows, however, seem to indicate that significant proportions of new assets are bypassing Switzerland; they are being reinvested in the more advanced countries directly from lesser tax haven countries.[10/] Switzerland is still believed to account for the largest volume of total tax haven assets, however, due to the continual accumulation of such assets there in earlier years.

The Swiss data thus take on special relevance, and the elaborate geographic detail available for "fiduciary accounts" in recent years becomes particularly important. The "fiduciary accounts" represent funds taken almost entirely from non-residents of Switzerland, which, for the most part, are re-invested outside Switzerland. The reinvestments are mainly in the form of bank deposits in the world's largest banks made in the name of the Swiss bank, but for the account and risk of the "fiduciary account" holder. The investor may thus achieve key objectives of anonymity and secrecy, although these "fiduciary accounts" are also used by residents, say of Italy, to invest their funds in Italian enterprises in the form of loans made by foreign banks that have prior claims on earnings and assets. When such considerations are not involved, however, since the investor pays a significant fee for this Swiss banking service (between 1/8-1/2%), to accomplish the end-result of a bank deposit which could have been obtained by going directly to the large international banks, such transactions have special interest. Most investors would not consider such expensive arrangements unless they are willing to pay a price to buy secrecy and anonymity.[11/]

Even more significant, though, are the remaining gaps in Swiss statistics due to the apparent reluctance of Swiss authorities to collect and release data on "securities/advisory accounts." These are trust accounts mainly of non-residents of Switzerland that are generally invested in eurobonds, other bearer bonds, stocks, real estate and in other stores of wealth, including precious metals and other commodities for the account and risk of the account holders.

D. The Data on Other (Real) Assets

Essentially global data on non-financial assets held by non-bank transactors resident in tax haven areas are not available. Statistics are prepared on U.S. direct investments in these areas. Moreover, on a world-wide basis, some data are available on gold. Further research may uncover more data on other precious metals and gems. Even if such data are uncovered, however, two basic problems with all such data are likely to remain.

First, the data on precious metals and gems are not normally disaggregated by geography. While it is possible to estimate total purchases of gold in 1979, for example, it is not possible to estimate reliably the geographic location of final purchasers. Most open market purchases are conducted by intermediaries. Some estimates, frequently little more than rumor, can at times be found, but it is difficult to determine what importance should be attached to such subjective estimates.

Second, these data are not normally disaggregated by type of purchaser. Using gold as an example again, even if one were to speculate that certain European banks have bought 500 tons of gold during 1979 for major Middle Eastern investors, it is not possible to estimate reliably what portion of that amount was purchased for government account rather than for private investors.

In short, few statistics exist which can provide any informed basis for comprehensive estimates of tax haven residents' purchases of real assets. The "best" available data are for gold, and these data are neither current nor adequate.[12/]

Except in the case of gold and gems, the annual volumes of funds used to purchase real assets are likely to have been small when compared to the amounts traditionally invested in bank deposits and other financial assets. It is simply too complex and difficult a process to seek out, negotiate and manage billions of dollars of new investments in real assets (such as real estate) year after year. Thus, many believe that real assets probably do not directly absorb large volumes of funds, at least compared to the funds which have added to the recent growth in international bank Certificates of Deposit, bearer shares in European companies, eurobonds and similar financial assets. All these assets afford their owners anonymity.

The last category of assets to be surveyed is the direct business investments of multinational corporations and others in the tax haven areas. The only data examined on these assets came from U.S. sources -- namely, the Internal Revenue Service and the Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce.

The information from tax returns used on the direct (as opposed to portfolio) investments of U.S. businesses by geographic area consists of data from IRS Form 2952 on Controlled Foreign Corporations (CFCs). For purposes of filing Forms 2952 a CFC is a corporation incorporated in a foreign country which is controlled by one U.S. shareholder for at least 30 consecutive days during the taxable year of the corporation. Control of a foreign corporation is defined as direct or indirect ownership of stock possessing more than 50 percent of the voting power of all classes of stock entitled to vote or more than 50 percent of the total value of all shares of stock of the foreign corporation. Indirect control of a foreign corporation extends without limit from the directly controlled (first tier) foreign corporation through succeeding tiers in a chain of control.[13/] U.S. commercial enterprises also conduct business abroad through branches and legal forms of organization other than foreign subsidiaries which meet the definition of a CFC for purposes of filing a Form 2952.[14/] However, the data from Forms 2952 filed by corporations were the only available statistics that could be used to estimate the assets of CFCs owned by U.S. persons.

The data prepared by BEA on the foreign investments of U.S. businesses are more inclusive. They cover all U.S. direct investment abroad. According to BEA definitions, a foreign investment is a direct (as opposed to a portfolio) investment if there is ownerhip or control -- directly or indirectly -- by one U.S. person of 10 percent or more of the voting securities of an incorporated foreign business enterprise or an equivalent interest in an unincorporated foreign business enterprise including a branch. The BEA prepares current statistics on such investments by country of the foreign enterprise, based on quarterly sample surveys which update a benchmark survey of U.S. direct investment abroad conducted in 1966. When the results of the next benchmark survey for 1977 are made available, probably toward the summer of 1981, a solid basis will be established, not only to evaluate the accuracy of the information from eleven years of sample surveys, but also to study additional aspects of foreign investment. In particular, the Benchmark Survey of U.S. Direct Investment Abroad, 1977, conducted by the Bureau of Economic Analysis, will provide data for that year on the total assets of foreign subsidiaries of U.S. corporations which can then be compared with similar data prepared by the IRS on CFCs.

III

The Partial Estimates

Secrecy makes estimating the size of tax haven funds extremely difficult. Yet, as this study showed, it is not beyond the realm of possibility to arrive at reasonable estimates of major portions of the total funds that have been shifted to the tax haven areas. Moreover, it may serve a useful purpose simply to delineate the portions of the estimation problem that may be solved from the remaining portions which, at least for the present, defy solution.

A. The Dimensions of the Problem

This chapter presents the partial estimates of tax haven funds that were prepared for this study. Essentially, it will be seen that there is a firm basis for estimating international bank deposits[15] that are held in or through the tax haven areas. (Local deposits in local currencies are not at issue since the great bulk of them are unrelated to tax evasion or avoidance activity.) The available data, however, were only on a global basis and, therefore, do not separately identify the portions of the deposits owned by U.S. taxpayers. Only in the area of direct investments could fairly good estimates be prepared on the extent to which tax havens are being used by U.S.-controlled multinational businesses.

The data on the basis of which to estimate volumes of non-deposit financial assets held in the tax havens by U.S. owners or by all residents of the world combined were limited to Swiss accounts. The available data on non-financial assets were even less satisfactory. In fact, virtually no data could be found on the basis of which to estimate ownership of real estate and other real assets in the tax haven areas either globally or by U.S. taxpayers only.

Before discussing any of the estimates prepared, it would be useful to point out precisely what is being estimated. This is particularly important since there is no definitive way to distinguish the data generated by the legitimate business transactions taking place in tax haven areas that are of no particular concern to tax authorities from data generated from other transactions that may be of interest, as in the case of tax evasion. Morever, the quantitative analysis of the dimensions of the problem suggested that, at least from a statistical point of view, tax avoidance cannot be differentiated from avoidance of the impact of other laws and regulations.

It is clear that, economically, many tax havens are too small to account for the presence of the enormous volumes of financial and business activity observed there. Statistically, it is difficult to distinguish tax and nontax reasons for these volumes. The availability of bank or commercial secrecy laws adds considerably to the complications of disentangling the various factors involved in determining why multinational businesses use tax havens. Accordingly, no attempt was made here to distinguish between volumes attributable to tax avoidance and those attributable to avoidance of other public laws and regulations.

Many transactors who operate in the tax havens to avoid taxes legally -- or who are there primarily to conduct local business -- have no reason not to report their accounts to public authorities. Thus, one may study these accounts which may be called "transparent", in contrast to tax evasion funds or illegal-source incomes that are assiduously concealed. As mentioned in the previous chapter, both the IRS and the Commerce Department regularly collect data on the foreign business interests of U.S. investors. These data are often not comprehensive or current. All the same, at least in principle, statistical information can be collected directly on most transactions in tax haven areas.

In addition, considerable information can also be gathered on many transactions indirectly, through a study of the international accounts of deposit banks. These banks play a vital role in the modern world economy as international financial intermediaries, borrowing, lending, pooling and transferring funds on an enormous scale. In using information on their accounts to estimate how much foreign capital is accumulating in the tax havens, a necessary step is the ferreting out of the loans and deposits that appear to be unrelated to the use of tax havens by foreign persons. For the present study, this problem was dealt with by leaving out of the estimates of tax haven funds the accounts of local residents in local currencies. These transactions were assumed to be free from any tax avoidance or tax evasion considerations.

The estimation procedures and related analyses were thus confined to international bank deposits kept in or kept through the tax haven areas. The accounts included in the estimates contain sums that may have been attracted to the havens to take advantage of the low rates of tax or to circumvent currency controls. The estimates also include funds that are in tax havens to earn the higher eurocurrency interest rates and for other reasons. A certain proportion of the international legitimate reasons or to hide their connection to illegitimate activities, including tax evasion. Some of the deposits may be there for a combination of reasons. Without further refinement and extension of the estimation techniques used for this study, it is not possible to distinguish the legitimate from the illegitimate components of the estimated international deposits held in or through the tax havens. In cases where entities are created for aggressive tax avoidance purposes which push tax rules to their outer reach, opinions may differ on whether they are there for legitimate reasons or not.

The figures presented in Table 2 suggest that, taken as a group, the foreign subsidiaries of U.S. corporations have not as a rule gone to the tax havens primarily to take advantage of commercial opportunities in the tax havens themselves. This table shows that, in 1979, on the average, per 100,000 population, there were 55.1 foreign subsidiaries in the tax havens as against 1.2 such companies in areas of the world that are not considered to be tax havens. In the Western Hemisphere, for the same year, there were 108.8 foreign subsidiaries of U.S. enterprises per 100,000 population in the tax haven areas, 40 more than was the case in 1970. In contrast, the number of foreign subsidiaries in the nontax haven areas of the Western Hemisphere appears to have increased quite slowly from 2.0 in 1970 to 2.1 per 100,000 persons in 1979.

Table 2

Number of Foreign Corporations in which U.S. Persons Held a Five Percent or More Interest and Population of Tax Haven and Other Areas

	1970			1974			1979		
	Corporations (In thousands)	Population (In millions)	Corporations Per 100,000 Persons	Corporations (In thousands)	Population (In millions)	Corporations Per 100,000 Persons	Corporations (In thousands)	Population (In millions)	Corpotions Per 100,000 Persons
Western Hemisphere									
Tax Havens[1]	2.9	4.2	68.8	3.8	4.5	85.5	5.7	5.2	108.1
Other	1.8	87.8	2.0	2.1	102.5	2.1	2.5	115.8	2.1
Other Areas									
Tax Havens[2]	2.6	12.4	20.8	3.6	13.1	27.5	4.7	13.6	34.6
Other	32.4	3,539.6	0.9	41.1	3,808.9	1.1	49.6	4,185.4	1.2
All Areas									
Tax Havens	5.4	16.5	32.9	7.4	17.6	42.3	10.4	18.9	55.1
Other	34.2	3,627.5	0.9	43.2	3,911.1	1.1	52.1	4,301.1	1.2

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*The population figures were projected forward from estimates for 1977 prepared by the United Nations.

[1] Tax haven areas covered are: Bahamas, Bermuda, Costa Rica, Netherlands Antilles, Panama and West Indies--other (which includes Antigua Barbuda, Dominica, Grenada, Montserrat, St. Kitt, St. Lucia, St. Vincent and U.K. - Virgin Islands)

[2] The tax haven areas covered are: Bahrain, Liberia, Liechtenstein, Luxembourg, Hong Kong and Switzerland. Data on U.S.-owned foreign corporations in Singapore were not available separately from data on such corporations in Malaysia.

Sources: U.S. Treasury Department, Internal Revenue Service, unpublished tabulations from Form 959.

Department of Economics and Social Affairs, Statistical Office, "Population by Sex, Rate of Population Increase, Surface Area and Density for Each Country or Area of the World," *Statistical Yearbook*, Issues 27 and 30, New York: United Nations, 1976 and 1979.

If the foreign expansion of U.S. business ventures viewed as a whole were not influenced by tax saving considerations, it seems unlikely that such large differences would be observed in the ratios of corporations to population between the tax haven and other areas. Nor would these areas, which in terms of local markets are of small importance have been able to attract more than 10,000 U.S.-owned businesses in 1979.

All the same, international transactions in the tax havens are not all related to tax factors. For example, sailors from a merchant ship or tourists visiting the Bahamas may buy goods in retail stores, or gamble in casinos, with foreign currencies that would end up as foreign-currency deposits by local residents in the Bahamian banks. Conceivably, such international banking transactions can be estimated and shown separately as part of foreign-currency deposits that have no tax consequences.

However, attempts to segregate other such transactions involving individuals would give rise to difficulties, with some of them more conceptual than statistical. Consider, for example, an investor in New York who buys a large negotiable certificate of deposit (CD) denominated in U.S. dollars in New York issued by the Bahamian branch of a U.S. bank. The CDs will appear as part of the foreign currency deposits of non-residents of the Bahamas. Should the funds thus transferred to the Bahamas on the books of the U.S. bank in New York be considered to have no tax consequence? It may be argued that the investment was a purely commercial transaction, since it took place in response to the higher interest rate offered on a eurocurrency CD (booked as an obligation of the branch in the Bahamas). The comparable domestic CD, shown as an obligation of the home office of the same bank, would yield somewhat less. On the other hand, it should also be considered that a U.S. bank can afford to offer an interest rate on the obligations of its Bahamian branch higher than the interest rate on obligations of its home office since no reserve requirements are imposed on deposits issued by its branch in the Bahamas.

Since a reserve requirement reduces the amount of funds that a bank may profitably invest, its impact on the profit position of the bank is similar to that of a tax imposed by a central bank. The Federal Reserve, the U.S. central bank, where the commercial banks keep most of their reserves, invest the reseve funds of the commercial banks in Treasury securities. Much of the interest earned in this fashion by the Federal Reserve is returned back to the U.S. Treasury Department. Therefore, to the extent that commercial banks hold less reserves with the Federal Reserve, the Treasury loses revenue. This means that large shifts on the books of U.S. banks from a category of deposits subject to reserve requirement -- namely, deposits due directly to U.S. residents -- to another category against which reserves need not be maintained -- namely, deposits due to tax-haven branches -- result in considerable loss of revenue to the U.S. Government. Thus, the payment of the higher interest rate on an offshore CD which may represent the obligation of a foreign "shell" managed from the United States is associated with diminished revenues to the Treasury.

This example shows how difficult it may be to characterize the nature of the funds accumulating in the tax havens. For the present analysis, therefore, particularly in view of the statistical problems involved in distinguishing certain types of transactions from others, the data on international banking deposits were not disaggregated except to indicate whether they were owned by residents or non-residents.

B. A Partial Estimate of the World-Wide Holdings of Tax Haven Assets

To have an overview of the composition of the various types of funds of interest, the basic estimates prepared are summarized in a table. Placed in this form, the figures show, at least in part, the global measures of tax haven funds. While U.S. tax authorities would be primarily interested in estimating the size of tax haven funds that belong to U.S. taxpayers, a global assessment of the problem is a necessary first step in that direction.

The summary Table 3 does not show an estimate of the grand total of tax haven funds, since important pieces of the total puzzle are still missing. All the same, the estimates that are presented there, covering major portions of the world-wide problem, are generally based on fairly solid data.

1. The International Deposit Assets

The first section of this table shows the relative sizes of the four basic components of deposit assets, which together comprise the $118 billion of tax haven funds held in banks. This sum represents the holdings of persons other than banks. Information on interbank deposits is relegated to an addendum item since, with the claims of one bank balanced by the obligations of another, such deposits are of little consequence as measures of wealth accumulating in tax havens.

The tax haven areas covered by Table 3 are the Bahamas, Bermuda, Cayman Islands, Netherlands Antilles, Panama, an area called "Caribbean Residual" (including both the tax havens in the Caribbean area not listed above plus Costa Rica, and an estimated understatement of the assets of non-banks in banks of the havens listed above), Bahrain, Hong Kong, Luxembourg, Singapore and Switzerland. These areas are essentially the same as the ones covered to survey the levels of tax haven use by multinational business firms. The small differences in coverage are entirely due to data gaps that made it impossible to have exact correspondence.

The first section of Table 3 highlights the deposit assets held in banks resident in Switzerland, or through Switzerland in banks resident elsewhere. In this single tax haven are $52 billion out of an estimated $118 billion of the tax haven deposits of the world.

Table 3

Partial Statistical Profile of World-Wide Holdings of Tax Haven Assets by Persons Other Than Banks--As of Year End 1978

(In Billion Dollars)

Deposit Assets			
Foreign-currency deposits owned by residents of:			
(1) Switzerland in banks located in Switzerland	4.7		
(2) 10 other tax haven areas[1] in banks located in owners' local areas	1.9		
(3) 11 tax haven areas in local banks (1) + (2)		6.6	
(4) Switzerland in banks located outside of Switzerland that report to the Bank for International Settlements (BIS)	17.3		
(5) 10 other tax haven areas in banks located outside of owners' local areas that report to the BIS	12.3		
(6) 11 tax haven areas in banks located outside of owners' local areas that report to the BIS (4) + (5)		29.6	
Foreign-currency deposits owned by non-residents of:			
(7) Switzerland in banks located in Switzerland	18.9		
(8) any of 10 other tax haven areas in which the banks accepting the deposits are located	49.0		
(9) any of 11 tax haven areas in which the banks accepting the deposits are located (7) + (8)		67.9	
Local-currency deposits owned by non-residents of:			
(10) Switzerland in banks located in Switzerland	10.9		
(11) any of 10 other tax haven areas in which the banks taking the deposits are located	3.3		
(12) any of 11 tax haven areas in which the banks taking the deposits are located (10) + (11)		14.2	
Total international deposits owned by residents of:			
(13) Switzerland or by nonresidents of Switzerland in banks located in Switzerland (1) + (4) + (7) + (10)			51.8
(14) 10 other tax haven areas for by non-residents of these areas in banks located in these 10 other tax haven areas (2) + (5) + (8) + (11)			66.5
(15) Total tax haven banking assets (13) + (14)			118.3

Table 3 Continued

Non-Deposit Financial and Other Assets		
Trust assets held by Swiss banks for the benefit of persons other than banks:		
(16) in fiduciary accounts[2/]	29.3	
(17) in securities/advisory accounts[2/]	75.0-200.0[3/]	
(18) Total trust funds held by Swiss banks for the benefit of non-bank owners (16) + (17)	104.3-229.3	
(19) Other non-banking assets held by individuals or by tax haven entities for the benefit of other owners	n.a.	
(20) Total trust and other non-deposit financial assets (18) + (19)		n.a.
(21) Assets of non-banking Controlled Foreign Corporations owned by U.S. businesses[4/]	80.3	
(22) Assets of other business enterprises owned by U.S. or foreign interests	n.a.	
(23) Total business assets (21) + (22)		n.a.
(24) Total tax haven assets		n.a.

Addendum Item

At year-end 1978, banks around the world owned $296.2 billion of deposits in banks located in the 11 tax haven areas for which a partial statistical profile of tax haven asset ownership by non-banks was presented above.

[1/] The tax haven areas are the Bahamas, Bermuda, Cayman Islands, Netherlands Antilles, Panama, an area called Caribbean Residual that includes Costa Rica, Bahrain, Hong Kong, Luxembourg, Singapore and Switzerland.

[2/] See Section C of Chapter II and Section B.2 of Chapter III for discussions relating to these items.

[3/] For the sources used to derive this estimate see Section B.2 of Chapter III.

[4/] See Section D of Chapter II for a definition of Controlled Foreign Corporations (CFCs). The assets of CFCs that are bank holding companies or other banks were excluded to avoid double counting. Their assets would largely be included in the $118.3 billion on line (15).

Sources: Data series presented in Appendix B and Appendix C; Statistics Division, Internal Revenue Service, unpublished tabulations on Controlled Foreign Corporations (from Form 2952).

The largest component of the deposits kept in all eleven major tax-haven areas is the $68 billion in foreign-currency deposits held by non-residents of these territories. The CD issued by the Bahamian branch of the U.S. bank discussed earlier would fall in this category. So would some of the deposits of multinational business corporations, which could also fall in any of the other three components.

The second largest component of the deposit assets shown--i.e., the $30 billion representing the deposits owned by non-bank residents of tax-haven areas in banks located outside those areas--are significantly understated. This is because they exclude the deposits made in banks that do not report to the Bank for International Settlements. As explained earlier, since the presence of such banks in some important financial centers means failure to capture many large deposits, a few billion dollars could have slipped through this hole in the data base.[16/]

Except for the figures weakened by this information gap, most of the estimates in Table 3 are based on what should generally be regarded as reliable data. To provide some indication of the relative reliability of the banking data series used--described in great detail in Appendix A--hard data index numbers were developed. This was in recognition of the fact that some interpretive judgement and/or outright estimation were required for some data categories in most tax-haven areas, at least for some years. To this end, in each of the relevant categories of data, all amounts estimated were recorded and added separately. Then, the annual totals of the amounts subject to estimate in each category of accounts were arbitrarily assumed to be in error by a high factor of 30% to arrive at a conservative assessment of reliability. Thus, this estimated annual error factor, divided by that year's total of the relevant type of account, subtracted from 100, created the desired conservative hard data index number. So far as the deposits kept by non-banks are concerned, the weighted average of all the hard data indices for 1978, in the 11 tax haven areas, was calculated to be a very high 97 out of a possible 100.

2. The Estimates of Non-Deposit Assets

The estimates presented in the second section of Table 3 are based on less complete or less solid statistics. For a general survey of the limitations of non-deposit tax haven assets, refer to sections C and D of Chapter II. So far as estimating the size of non-deposit financial assets in the tax havens are concerned, the available reliable information is essentially limited to the Swiss data on "fiduciary accounts." Since, as mentioned earlier, to camouflage funds in these accounts is an expensive proposition, they are probably owned mainly by persons seeking to purchase Swiss banking secrecy and anonymity.[17/]

The desire to conceal tax evasion funds or payments associated with illegal activities is not the only reason people may wish to pay for banking secrecy. Consider the case of a political leader who foresees the possibility of one day being forcedly deposed. Consider the further case of individuals who may have potential problems not with their government, but with members of their families or communities. Such people would be willing to pay for the anonymity of a Swiss "fiduciary account." In some oil-rich Middle Eastern countries, certain actions that may be frowned upon by governing circles are not necessarily illegal. An example would be accepting exorbitant commissions to pave the way for large business transactions. Persons involved in these situations also may be willing to pay the price for the desired anonymity in owning assets.

The fact remains, however, that a Swiss "fiduciary account" is clearly one place where tax-evasion funds or illegal-source payments may be held. A second place where illegal or tax-evasion funds might be held would be the "securities/advisory accounts" administered by Swiss banks. These accounts are expensive to maintain. In the absence of hard data on their size, the statistics on the "fiduciary accounts" may be used as one basis for estimating the magnitude of the "securities/advisory accounts." The size of the latter may also be estimated with the use of data on securities bought for investment in these accounts.

Swiss banks disclose nothing of their business represented by the "securities/advisory accounts" in normal statistical reports. But in 1977 the magnitude of such portfolios has been estimated by M. S. Mendelsohn, associate editor of The Banker, to range from $60 to $140 billion.[18/] Projecting these estimates forward to 1978, using the rate of expansion from 1977 to 1978 in the "fiduciary accounts" as a relative growth factor, yields a range from $80 to $185 billion for 1978.

The "securities/advisory accounts," unlike the "fiduciary accounts," are not normally invested in bank deposits. These funds are mainly used to purchase bonds, stocks and other stores of wealth (including precious metals and other commodities). The securities purchased are frequently in bearer form, which makes them virtually untraceable.[19/] Because of the predominant position of untraceable securities in the "securities/advisory accounts," it would help to form some estimates of the outstanding stocks of eurobonds and foreign holdings of similar securities.

Until 1975-1977, when foreign central banks became particularly active purchasers of eurobonds, Swiss banks were commonly estimated to take about two-thirds of all new eurobonds for placement in the "securities/advisory accounts" they managed. In recent years, the more frequent estimate is one-third.[20/] Assuming the average life of a eurobond to be twelve years, and referring to World Bank, Morgan Guaranty and BIS estimates of new annual eurobond issues, an estimate of $40 - $60 billion of eurobonds held in Swiss "securities/advisory accounts" is not unreasonable.[21/]

In addition, based on informed opinions on relationships between eurobonds and other foreign bonds issued and placed by Swiss underwriters over the past decade, it is reasonable to assume that the "securities/advisory accounts" may also have another $20 to $60 billion in foreign bonds that are not eurobonds.[22] There is no way of knowing the size of other assets--equities, real estate, gold, gems, etc.--in these accounts.

The ranges developed relating to bonds add to a total of $60 to $120 billion. Comparing this to Mendolsohn's range (projected to 1978) of $80 to $185 billion leave considerable room for investments in other assets. All the same, it may be that his range is not broad enough. To be on the safe side, therefore, it was concluded that the assets in securities/adivisory accounts may have amounted to $75 to $200 billion in round numbers at year-end 1978.

The soaring price of gold in the 1970's alone would tend to make the higher estimate in the range more realistic than the lower. Consider, for example, that in 1968 when the price of gold was $35 an ounce, a modest $2 - $3 billion worth of gold was held in these accounts. At the prices of gold prevailing in 1978, even if no new gold purchases were made over the previous ten-year period, the gold that was worth $2 $3 billion in 1968 would have been worth $12 - $18 billion. (At current prices of about $500 an ounce, the same gold would be worth about $29 - $43 billion.)

Taking the Swiss data, which indicates from about $105 - $230 billion in camouflaged funds (over and above the $52 billion in deposit assets which include numbered accounts), and adding to this base an unknown amount of similar funds in other tax haven areas, it is seen that the total magnitude of the problem is not small.

The final lines in the summary Table 3 are devoted to direct investment assets in the tax havens. As it is indicated there, the estimates are confined to the assets of U.S.-Controlled Foreign Corporations (CFCs) that are required to file Forms 2952.[23] U.S. corporations and other enterprises make direct investments abroad through a variety of organizations, branches, associations, partnerships, joint ventures and other legal forms. Comprehensive data on their assets, however, will not be available until later in 1981 when statistics from the Benchmark Survey of U.S. Direct Investment Abroad, 1977, are published by the Department of Commerce.

C. Use of Tax Havens to Hide Tax Evasion Funds

The global estimates summarized in Table 3 cover U.S.-as well as foreign-held funds. They include sums that are placed in the tax havens legally to avoid taxes as well as tax evasion and/or illegal-source moneys. Given the protections afforded by multiple veils of secrecy, so far, no basis was found to estimate either the size of U.S.-owned funds hidden from the tax authorities or the amounts by which they increase year by year. In the future, one way to estimate the magnitudes involved may be to attempt to measure them as residuals. This would require first, augmenting the partial estimates presented earlier to derive all-inclusive estimates of total tax haven funds. Then, from these totals may be subtracted all U.S.- and foreign-owned funds that can be associated with "political flight," tax avoidance and similar factors. The sums arrived at as residuals may then be considered to be illegal-source and/or tax evasion funds. Year-to-year changes in these funds would measure annual increments. Additional informed assumptions may be made to distinguish the U.S. from the foreign components of these illegitmate funds. Another problem involved in estimating the use of tax havens by tax evaders is that funds may be deposited in a tax haven bank and immediately withdrawn. Neither data nor adequate methods to estimate such laundering operations are available. To solve all such problems would, therfore, require heavy resource commitments plus extensive cooperation from foreign governments and economic research groups at home and abroad. Even so, the effort may not be successful.

Another way to develop some rough measures of at least annual increments to tax evasion and illegal-source funds accumulating in tax haven areas may be through personal contacts with (perferably retired) bankers and others who have direct inside information on such flows. A big stumbling block encountered in applying this method would be the understandable reluctance people would feel to speak about sensitive matters. It would also be necessary to gain access to documents that would at least in part verify the information received through personal contacts. The starting point for this approach may be a thorough analysis of documents that can be readily obtained relating to the holdings of taxpayers whose financial dealings and associations suggest intensive use of tax havens. Reviewing individual tax havens one by one, parts of the two methods mentioned above may be combined. An alternative, less ambitious and simpler approach, may be to make reasonable assumptions, backed by a moderate amount of further research, about a selective list of assets hidden from U.S. tax authorities. New data on currency flows across national borders through the banking system now being generated in connection with investigations initiated in Florida should throw additional light on illegal use of tax havens.

D. The Legal Use of Tax Havens

Estimating the legal use of tax havens presents less problems than the estimation of camouflaged funds sent to havens abroad to hide them from the watchful eyes of law enforcement authorities. At the same time, large data gaps exist even on the legal transactions of U.S. business firms involving overseas havens where banking and commercial secrecy is a way of life. As discussed in Section D of Chapter II above, the available IRS data on the activities of U.S.controlled businesses in these areas is incomplete.[24] There are also limitations in the Commerce Department statistics, particularly with respect to data over time, on direct investment related flow of funds in tax havens by industry. The shortcomings of available data, to be discussed below, on the use of tax havens for inward investment into the United States are even more serious. The main information gap on legal use of havens, however, relate to the transactions of individuals, carried out either in their own names or through nominees, private investment companies, trusts and other fiduciaries.[25] All the same, the data that were found, compiled and analyzed on levels of legal use of havens convey impressions of very intense activity.

1. Use of Tax Havens by U.S. Corporations

It is in the nature of tax havens to divert capital away from economically advanced countries with generally highly developed systems of individual and business taxation including the United States.[26] One aspect of such capital diversion may be seen through statistics on controlled subsidiaries of U.S. businesses incorporated in the tax havens where tax burdens are generally very light as a matter of conscious policy. The extent of this phenomenon is reflected in the figures on total assets of U.S.-owned CFCs shown in Table 4.[27] The meaning of such asset measures becomes clearer when it is realized that the areas classified as tax havens in that table account for only about 0.4 percent of the world's population.[28]

From Table 4 it is seen that, in 1976, 17.6 percent of the total assets of U.S.-owned CFCs were reported as belonging to CFCs incorporated in the tax havens. The comparable percentage for 1972 was 16.4 percent; for 1968 it was 12.1 percent. Consequently, at least in this respect, multinational business use of havens had intensified by over 45 percent in eight years. In some industries, particularly in finance and insurance with large paper assets, or in transportation, where it consists mainly of ships which can readily be registered in any one of a number of alternative jurisdictions, CFC assets in the havens as a percent of similar assets in all areas were considerably larger.

As may be seen from Table 4 for 1976, the percents in the havens in round numbers were approximately 25 percent in services, and wholesale trade, 40 percent in both insurance and contract construction and 50 percent in holding and other investment companies combined. In transportation, which is dominated by shipping, CFC assets in the tax havens as a percent of similar assets in all areas combined was about 75 percent in 1976. Moreover, between 1968 and 1976, the percentages in the havens for almost all of industries shown in Table 4 had increased.

Table 4
Assets of U.S.-Controlled Foreign Corporations in Tax Haven and Other Areas, 1968 and 1976

	Total Assets* in			Assets in havens as a percent of assets in all areas
	Tax Havens [1]	Other Areas	All Areas [2]	
	(Amounts in Billion $s)			
1968				
All Industries	11.7	85.1	96.8	12.1
Contract construction	0.2	0.6	0.8	26.5
Manufacturing	1.8	46.7	48.4	3.7
Transportation	1.9	1.9	3.8	50.6
Wholesale trade	2.8	15.9	18.7	15.1
Finance, insurance and real estate	3.7	9.7	13.4	27.8
Insurance	0.1	1.0	1.1	12.8
Holding and other investment companies[3]	1.3	2.4	3.7	34.7
Other	2.3	6.3	8.6	26.7
Services	0.3	2.1	2.3	11.4
Other industries	1.0	8.4	9.4	10.8
1976				
All Industries	55.4	259.0	314.4	17.6
Contract construction	2.2	3.1	5.3	41.8
Manufacturing	7.6	141.9	149.5	5.1
Transportation	9.0	3.1	12.2	74.2
Wholesale trade	10.4	28.9	39.3	24.6
Finance, insurance and real estate	20.9	53.6	74.4	28.0
Insurance	2.4	3.8	6.2	38.5
Holding and other investment companies[3]	8.3	7.8	16.0	51.6
Other	10.2	42.0	52.2	19.5
Services	2.4	7.9	10.4	23.2
Other industries	2.9	20.5	23.2	12.5

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[1] Tax-haven areas covered are the Bahamas, Bermuda, Costa Rica, Netherlands Antilles, Other British West Indies (other than Cayman Islands), Panama, Bahrain (for 1976 only), Hong Kong, Liberia, Liechtenstein, Luxembourg, Singapore, and Switzerland.

[2] Sum of two components may not add up to the totals because of rounding.

[3] Excludes bank holding companies which are included in Other.

Source: U.S. Department of the Treasury, Internal Revenue Service, *Statistics of Income--1968-1972, International Income and Taxes, U.S. Corporations and Their Controlled Foreign Corporations*, Washington, D.C., U.S. Government Printing Office, 1979 and unpublished tabulations on Controlled Foreign Corporations (from Form 2952) of U.S. corporations with assets of $250,000,000 or more (giants) for 1968, 1972 and 1976.

*These were estimated for 1976 since the actual data tabulated from Forms 2952 covered only the assets of CFCs controlled by the giants. To include also the assets of CFCs of smaller U.S. corporations, the data on giants were stepped up based on observed ratios between total CFCs and CFCs of giant U.S. corporations for 1968 and 1972. These ratios were projected forward to 1976 by industry. (The step-up ratio for all industries for 1976 was 1.128 in tax havens, 1.118 in other areas.)

Data on assets of CFCs formed in the havens presented in Table 4 also help to quantify the extent to which the industrial composition of haven CFCs differ from the structures found in other areas. It is seen, for example, that CFC assets in finance, insurance and real estate, transportation, construction and services as a percent of total assets of CFCs formed in the havens increased from 52 percent in 1968 to 62 percent in 1976. Over the same period, in the havens, CFC assets in manufacturing as a percent of total assets declined from 15.1 percent to 13.7 percent.

Tax haven activities of U.S.-controlled businesses were also analyzed in terms of statistics on U.S. direct investment prepared by the Commerce Department. Data on key aspects of such investments are summarized in Table 5.[29/] More detailed estimates of direct investment related funds by individual tax havens are presented in Appendix D. Table 5 shows that investment activity in the havens is both very substantial and growing much faster than similar activity in the non-havens. Earnings[30/] of U.S.-controlled businesses in the tax havens increased from $0.5 billion in 1968 to $4.4 billion in 1978, an approximately 800 percent increase. During the same period, earnings of U.S.-controlled businesses in non-haven jurisdictions increased from $6 billion to $21.3 billion, only about a 250 percent increase. Over the same period, U.S. direct investment levels in the tax havens increased from $4.7 billion to $23.0 billion, by almost 400 percent. U.S. direct investment levels in other areas increased from $57.2 billion to $145.1 billion, by a little over 150 percent.

Moreover, in recent years, earnings per dollar of direct investment in the tax haven jurisdictions have been higher than elsewhere. In 1976 and 1978, they were 19.7 percent and 18.9 percent respectively in the havens and 13.1 percent and 14.7 percent in the non-havens.[31/] No consistent indication was found, however, that reinvested proportions of earnings of subsidiaries in the havens were higher than similar proportions in areas that are not havens.[32/]

Some of these trends are more pronounced in the better known havens of the Caribbean Basin. Earnings of U.S.-controlled businesses in the Bahamas, for example, increased by almost 1600 percent between 1968 and 1978. Over the same period, in Bermuda--the situs of many captive insurance companies--the growth was 3700 percent for earnings and about 3600 percent for investments. See Appendix D for more details.

2. Use of Tax Havens for Investment in the United States

Foreign investment in the United States through havens is more difficult to measure. Indirect measures of a portion of the funds coming into the U.S. economy may be developed with data on non-resident alien gross income reported on Forms 1042S. These may be supplemented with data from the Commerce Department on direct foreign investments in the United States and with similar data on private foreign portfolio investments from the Treasury Department. Still, large information gaps remain, notably in foreign ownership of U.S. bank deposits. All the same, the statistical information that was developed show inward investment from the havens to be very large.

Table 5

U.S. Direct Investments Overseas in Tax Haven[1/] and Other Areas, 1968-78
(In Million Dollars)

	1968	1970	1972	1974	1976	1978
Tax Haven Areas						
Earnings of U.S.-controlled foreign business enterprises	469	657	1,012	2,543	3,116	4,354
Reinvested earnings of incorporated affiliates (subsidaries)	202	321	447	892	1,303	1,916
Levels of investment in U.S.-controlled foreign business enterprises	4,697	5,829	7,329	12,053	15,804	23,022
Other Areas						
Earnings of U.S.-controlled foreign business enterprises	6,017	7,366	9,788	16,599	15,912	21,286
Reinvested earnings of incorporated affiliates (subsidaries)	2,238	2,855	4,085	6,885	6,393	10,147
Levels of investment in U.S.-controlled foreign business enterprises	57,210	69,651	82,549	98,025	121,005	145,059

[1/] The tax havens covered are: Bahamas, Bahrain, Bermuda, British Islands (covering Anguila, Antigua, British Antilles, British Virgin Islands, Cayman Islands, Monteserrat, Nevis, St. Christopher, St. Lucia and St. Vincent), Costa Rica, Hong Kong, Liberia, Liechtenstein, Luxembourg, Netherlands Antilles, Panama, Singapore and Switzerland.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, unpublished tabulations and Selected Data on U.S. Direct Investment Abroad, 1966-78, Washington, D.C.: U.S. Government Printing Office.

Table 6 on the next page summarizes the most recent data on inward investment from tax haven jurisdictions.[33] At this writing, the most recent data happens to be 1978 for gross income paid to non-resident aliens and 1974 for foreign investment, both direct and portfolio. The data shown on direct foreign investments is specially incomplete. Looking at the rest of the data, however, it will be seen that about one-third of all foreign portfolio investments in the United States are being made from tax haven areas. Investments from Switzerland in particular appear to be very heavy, accounting for three-quarters of the portfolio investments made from all the tax havens combined. The data on U.S. gross income paid to non-resident aliens also confirms the predominant role of Switzerland, receiving, as it did, 61.2 percent of all such income paid to residents of tax haven areas in 1978. The figures in Table 6 also show that, in 1978, 42.5 percent of U.S. gross income paid to nonresident aliens was paid to recipients in tax haven areas. It is also seen that, at least so far as investments whose returns are subject to withholding are concerned, inward investments from the haven areas are those primarily of foreign corporations, rather than individuals.

Table 6

Inward Investment in the United States from Tax Haven Areas
(Millions of Dollars)

Area	U.S. Gross Income Paid to Non Resident Aliens in 1978			Foreign Investment in 1974	
	All Recipients	Corporations	Other	Direct	Portfolio
Western Hemisphere tax havens, total	265.0	222.4	42.7	n.a.	1,995
Bahamas	15.6	11.8	3.8	246	742
Barbados	0.5	0.3	0.2	n.a.	6
Bermuda	21.1	14.5	6.6	312[1/]	345
British Virgin Islands	8.2	7.7	0.5		114[2/]
Cayman Islands	8.7	8.3	0.5	n.a.	n.a.
Costa Rica	0.9	*	0.8	n.a.	16
Netherlands Antilles	190.8	164.0	26.7	1,408	541
Panama	18.9	15.4	3.5	318	231
St. Christopher-Nevis	0.4	0.4	*	n.a.	n.a.
Other tax havens, total	1,626.7	1,228.6	398.1	n.a.	11,089
Bahrain	1.1	1.0	0.1	n.a.	n.a.
Hong Kong	17.4	7.0	10.4	n.a.	173
Liberia	1.5	1.5	*	n.a.	22
Liechtenstein	10.2	4.8	5.5	66	169
Luxembourg	21.1	15.5	5.5	197	761
Netherlands	415.3	274.2	141.1	n.a.	n.a.
Singapore	2.1	0.2	1.8	n.a.	16
Switzerland	1,158.1	924.5	233.6	2,002	9,948
All tax havens listed	1,891.8	1,451.0	440.8	4,549	13,084
Tax havens listed as a percent of total	42.5	47.5	31.6	14.6	32.9

[1/] Actually, the combined total of investments in Bermuda and the British Islands which includes the British Virgin Islands. For the definition of British Islands, see Table 1 of Appendix F.

[2/] Represents investments in the British West Indies that includes British Virgin Islands. British West Indies is defined in Table 3 of Appendix F.

*Indicates less than $50,000; n.a. stands for not available.

Sum of components may not add to totals due to rounding.

Sources: Statistics Division, Internal Revenue Service, unpublished tabulations on "Nonresident Alien Income and Tax Withheld as Reported on Forms 1042S " and Tables 1 and 3 of Appendix F .

IV

General Trends

In evaluating the significance of the tax avoidance and evasion associated with the use of tax havens, it is important to establish trends. This is particularly so in view of the allegations about a proliferating underground economy and growing use of tax haven oriented "tax planning" techniques by individuals as well as businesses.

The sustained large increases in money income in the United States, mainly attributable to inflation, has simultaneously moved individuals into higher tax brackets and made them more conscious of the larger dollar amounts of taxes paid. Against such a background of heightened sensitivity to taxes, it would not be surprising to find greater use of foreign tax havens by U.S. residents. However, so far as individuals are concerned, no definitive statistical evidence was found that clearly demonstrated the increased use of tax havens.[34]

The evidence documented in this study relate to rapidly growing levels of tax haven use by U.S. businesses. As mentioned in the previous chapter, the earnings of U.S.-controlled business enterprises in the tax havens increased from less than $0.5 billion in 1968 to $4.4 billion in 1978, by over 800 percent. Similar earnings in nontax haven areas increased from $6.0 billion in 1968 to $21.3 billion in 1978, or by about 250 percent. Over the same period, U.S. direct investment levels increased from $4.7 to $23.0 billion, or by almost 400 percent, in the tax havens and from $57.2 billion to $145.1 billion, which is a little over 150 percent, in other areas of the world.

Similarly, data on Controlled Foreign Corporations (CFCs) of U.S. business enterprises showed that increasingly CFC assets are being shifted to the tax havens. In 1968, 12.1 percent of total U.S.-owned CFC assets were reported to be held by companies formed in the tax havens. By 1976, this percentage had increased to 17.6 percent.

Initially, most funds which are to be invested through a tax haven would move through the international banking system. Because of the need to invest and reinvest large sums, sometimes on very short order, the presence of international banking facilities is essential to tax haven use. Also, the international deposits by corporations, individuals and other non-banks in banks resident in tax haven areas is a major use of tax havens to hold assets. Consequently, measures of international banking activity over time provide broad-based--though not comprehensive--indicators of trends in tax haven jurisdictions.

Table 7
International Banking in Tax Haven Areas, 1968-1978
(In Billion Dollars)

	International Deposits[1/] Held in the Tax Haven Areas							
	By Non-banks only				By Banks and Non-banks			
	In Branches and Subsidiaries of U.S. Banks		In All Banks		In Branches and Subsidiaries of U.S. Banks		In All Banks	
	In the Western Hemi-sphere[2/]	In All Areas[3/]	In the Western Hemi-sphere[2/]	In All Areas[3/]	In the Western Hemi-sphere[2/]	In All Areas[3/]	In the Western Hemi-sphere[2/]	In All Areas[3/]
1968	n.a.	n.a.	0.3	5.3	n.a.	n.a.	1.5	10.6
1969	n.a.	n.a.	1.3	8.4	n.a.	n.a.	4.8	17.8
1970	n.a.	n.a.	2.0	11.8	n.a.	n.a.	7.5	26.1
1971	n.a.	n.a.	2.7	16.1	n.a.	n.a.	15.4	40.2
1972	n.a.	n.a.	3.9	17.6	n.a.	n.a.	23.5	60.2
1973	3.9	5.2	5.6	23.5	27.3	35.1	35.4	88.3
1974	7.0	9.5	10.6	36.7	37.2	50.3	55.2	130.6
1975	9.7	12.2	13.9	41.8	52.0	65.8	77.9	170.5
1976	13.5	16.5	18.7	50.7	75.2	95.8	112.0	234.1
1977	18.4	21.8	28.2	70.5	88.0	115.8	131.8	296.9
1978	25.9	30.5	31.5	88.7	100.0	130.6	159.5	384.9

[1/] International bank deposits are foreign and local currency deposits owned by non-residents and foreign currency deposits owned by residents.

[2/] The Western Hemishphere tax haven areas covered are the Bahamas, Bermuda, Caribbean Residual (which include deposits held either in areas such as British West Indies, Barbados and Costa Rica or deposits that should have been, but due to practical difficulties have not been, included in the other Carribbean tax haven estimates), Cayman Islands, Netherlands Antilles and Panama.

[3/] In addition to the Western Hemisphere havens, the following areas are covered: Bahrain, Hong Kong, Luxembourg, Singapore and Switzerland.

n.a. - stands for not available.

Source: Appendices B and C and unpublished tabulations submitted by the Board of Govenors of the Federal Reserve System.

The data summarized in Table 7 on bank deposits held in tax havens indicate very rapid rates of growth in activity. Between 1968 and 1978, international deposits made by non-banks in banks resident in all the tax haven areas surveyed for this study increased from $5.3 billion to $88.7 billion, representing an average growth rate of 33 percent a year.[35] Total deposits increased from $10.6 billion to $384.9 billion, again at an average growth rate of 33 percent a year. In the 1970's, after the U.S. banks were authorized to establish "shell" branches by the Federal Reserve Board, the growth in the Western Hemisphere was even more remarkable. Between 1970 and 1978, deposits held by non-banks increased from $2.0 billion to $31.5 billion, at an annual average growth rate of 41 percent. Over the same period, total deposits held in these banks increased from $7.5 billion to $159.7 billion, representing an average annual growth rate of 47 percent.[36] Since these data do not lend themselves to disaggregation by type or nationality of owner, whether the deposits owned by U.S. taxpayers have been growing faster or slower than similar deposits owned by others is not known. Nor is it possible to distinguish business from individual holdings. However, it is evident from Table 7 that most deposits in banks resident in Western Hemisphere tax havens are in U.S. banks. Using U.S. banking entities in the Caribbean basin, which are in or near the same time zones as the major U.S. money center banks, is particularly convenient for U.S. persons. Therefore, the enormous growth in Western Hemisphere tax haven banking may be assumed to reflect to a great extent use of these banks by U.S. persons. To what extent these persons have earned their incomes illegally or evaded taxes on incomes earned legally is not known. It should be kept in mind that banks in jurisdictions with secrecy laws are used not only as places where funds may be deposited, but also as channels through which funds may be laundered.

The rapid rates of growth indicated by the data presented in Table 7 and sustained over a ten-year period are not accounted for by worldwide inflation. The fact that tax haven deposits increased about as fast from 1968 to 1973--before the upsurge in the international price of oil--as they did since then indicates that the expansion was not primarily related to the oil situation. The exodus of liquid funds from the capital exporting countries that eventually show up in the tax havens appears to be associated more with the new options created by the internationalization of commercial banking discussed in Chapter 1.

There are other indications that levels of tax haven use by U.S. persons increased during the 1970's. Data presented in Table 5 of Appendix F show a continuing pro-tax haven bias in U.S. ownership of foreign corporations. For the period 1970 to 1974, the number of corporations formed in tax havens in which U.S. persons owned an interest of 5 to 50 percent increased 164.8 percent while the increase in non-tax havens was 57.8 percent. From 1974 to 1979, the increases were 36.4 percent in the havens and 17.1 percent elsewhere. Patterns of growth in CFCs that are U.S. owned from more than 50 to less than 95 percent reflect a growing pro-tax haven bias. From 1970 to 1974, the growth of these CFCs was 55.4 percent in the havens and 32.7 percent elsewhere. From 1974 to 1979, the growth was 38.8 percent in the havens and 14.2 percent elsewhere.[37/] The data in Table 5 show that for the period 1974 to 1979 the number of CFCs formed in tax havens that are wholly owned or owned to the extent of at least 95 percent increased by 42.7 percent. In other areas, the comparable increase was 26.4 percent. This more recent experience reversed the earlier pattern over the period 1970 to 1974 where the number of wholly or almost wholly owned subsidiaries in the tax havens decreased by 2.9 percent while the comparable number of subsidiaries increased by 7.6 percent.

References have appeared recently to a growing competition among the tax havens to attract legal, accounting, communications and banking services.[38/] In promotional materials aimed at attracting foreign capital to the tax havens, reference is made only to ways in which taxes may be avoided legally.[39/] It stands to reason, however, that, given the environments of commercial and banking secrecy maintained in those areas, some persons attracted there may be tempted to use such facilities to evade their tax obligations. Tax havens, moreover, provide opportunities to "launder" or "camouflage" funds earned in illegal activities, notably the international traffic in narcotic drugs. The larger such havens become, the easier it becomes to absorb the flow of illegal-source funds to these areas without being detected.

While experts still believe that the majority of "camouflaged" assets, globally, remain routed through Switzerland (perhaps through several prior "layers" of secrecy) before final re-investment in secure assets, this situation is said to have changed somewhat in recent years. It is believed that increased proportions of new illegal-source and tax-evasion funds are bypassing Switzerland, and that only one or two "layers" of secrecy in other tax havens are being required prior to final re-investment in secure assets. This trend toward increasing geographic dispersion of the "final layer" of tax haven secrecy often does not show in available statistical measures because these are limited to banking system data. The growth rates in tax haven deposits in different areas, however, sometimes suggest the emergence of the new pattern mentioned above.

For example, the tables presented in Appendix C show that the international bank deposits of the Netherlands Antilles increased from $1.3 billion in 1975 to $3.8 billion in 1978. About a billion of this $2.5 billion increase was due to foreign-currency deposits made by non-residents of that area. In the Cayman Islands, one finds a similar situation on a larger scale, with over $5 billion of a $6.5 billion increase in non-bank deposits between 1975 and 1978 due to increases in foreign-currency deposits of non-residents of the Cayman Islands made in the banks there. Some of these nonresidents may have been traffickers in illegal drugs. In the Cayman Islands and Netherlands Antilles combined, the bank deposits held by persons other than banks increased by almost 300 percent between 1975 and 1978. The comparable percentage growth in Switzerland was less than 100 percent.

The past five years have also probably brought on some significant diversification in the assets acquired by tax haven transactors. While financial assets (both bank deposits and other assets such as bearer securities) remain the most important type of investment, funds may increasingly be flowing into non-financial assets. The current interest in assets which provide investment alternatives to bank deposits and other financial assets, or which completely camouflage the true ownership of the assets held, means that the statistical record of transactions through the tax havens is gradually worsening. The 1975 introduction of BIS geographical data on international banking assets and liabilities vis-a-vis tax havens, and the 1976 introduction of Swiss National Bank geographical details of "fiduciary accounts," have been the most significant statistical improvements to date. During the past five years, however, annual new issue volumes of eurobonds (and other bearer foreign bonds) have more than doubled, while the price of gold has increased to about $500 per ounce. Non-deposit financial assets on which there is virtually no information reporting and non-financial assets may thus be gradually becoming the preferred assets of large numbers of international investors, including those who use tax haven facilities. If this trend continues, it will make it even more difficult to measure tax haven transactions in the future.

FOOTNOTES

[1] For further clarification of the meaning of these distinctions see, Ian McCarthy, "Offshore Banking Centers: Benefits and Costs," Finance and Development, December 1979, pp. 45-48. For further information on the benefits and costs of operating tax havens from the standpoint of the host countries, see the interesting article by Milka Casanegra de Jantscher, "Tax Havens Explained," Finance and Development, March 1976, pp.31-34. For a history of U.S. banking overseas and analysis of the reasons for the establishment of U.S. banks in the offshore centers, see U.S. Congress, House of Representatives, Committee on Banking, Currency and Housing, Financial Institutions and the Nation's Economy, Book II, part 4, International Banking, Hearing, 94th Congress, Second Session, June 1976, Washington: U.S. Government Printing Office, 1976. See also, Rodney H. Mills, Jr. and Eugenie D. Short, "U.S. Banks and the North American Euro-Currency Market," International Finance Discussion Papers, Number 154, April 1979 and Alan Teck, "The Future of Limited Service Branches in Nassau," Euromoney, January 1973.

[2] In this connection it should be noted that, in 1978, $494 million, or about 15 percent of the total currency mailed or carried out of the United States reported on Customs Forms 4790 went to the following tax-haven areas: Bahamas, Bahrain, Bermuda, Cayman Islands, Costa Rica, Hong Kong, Liberia, Liechtenstein, Luxembourg, Netherlands Antilles, Panama, Singapore, and Switzerland. In 1978, even larger amounts of currency, namely $607 million, reported on Forms 4790 came in from these areas. These figures which exclude the currency shipments of banks may represent merely the tip of the iceberg so far as movements of currency are concerned since it may be assumed that most of concealed transfers of illegal-source or tax evasion monies will not be reported to the Customs Bureau. Data on outbound and inbound currency to and from the tax-haven areas in lots of $100,000 or more and $500,000 or more for 1976 through 1979 were also examined. These data showed that: (a) by far most of the currency (sometimes up to 96.5 percent of the total) moves in and out of tax haven areas in lots of $100,000 or more; (b) percentages of total outbound and inbound currency going to and coming from the tax havens in lots of $100,000 or $500,000 or more are, in general, approximately the same as the corresponding percentages of outbound and inbound currency in lots of all sizes. It should also be noted that, over a four-year period, 1976-1979, more than 90 percent of the currency mailed or carried to the tax haven areas went to Switzerland. The sums going to Switzerland amounted to 9.1 percent of all currency shipments out of the United States reported on Forms 4790.

Now data on large shipments of currency across national borders from one bank to another now being generated in connection with investigations initiated in Florida will greatly enrich the data base to study illegal use of tax havens. Once actual data on such currency flows are produced in great detail, a base is established to conduct specific investigations to help determine the various components of the demand for currency in large amounts.

[3] For example, it is recognized that, in the 1950s, the British authorities did not wish to apply domestic banking regulations to the dollar business conducted by British banks in London so as not to impair their ability to compete with U.S. banks in the United States in world-wide dollar markets. Also, attempts the U.S. government made to improve its balance of payments were instrumental in getting the U.S. banks to book their dollar loans in their London branches, where they would have a competitive edge over the British banks since they could attract dollar deposits at slightly lower rates. The balance-of-payments measures referred to are (a) the Interest Equalization Tax of 1962--designed to discourage U.S. residents from buying foreign securities--which shifted foreign lending to the U.S. banks (The tax also applied to U.S. dollar bank loans of over one year from U.S. offices and foreign branches of U.S. banks until 1967.), (b) the Voluntary Credit Restraint Program of 1965 that applied to the foreign loans of U.S. banks from their home offices only, and (c) the control measures of 1968 that restrained the financing of U.S. corporations abroad. For a lucid discussion of these matters, see Ramachandra Bhagavatula and Harold Van B. Cleveland, Global Financial Intermediation, Economic Analysis and Policy Issues, (New York, Citibank, 1980), pp. 13-17.

[4] The calculations were made by the Bureau of Statistics of the International Monetary Fund (IMF). The method of analysis to study the excess assets of the offshore banking centers was developed by Mr. John C. O'Connor, Advisor to the Bureau of Statistics of the IMF.

[5] In assessing the tax significance of the shifting of income to low-tax areas by U.S. banks through the device of booking their loans in overseas units, one should consider whether these units are branches or subsidiaries. If the loans are booked in their foreign branches--whether they be "shells" or not--the revenues they yield are taxed as earned since home office and foreign branch earnings are reported on a consolidated basis. In contrast, taxes on incomes earned by subsidiaries may be deferred. It should be noted in this connection that at year-end 1979, subsidiaries of U.S. banks in the Bahamas, Bermuda, Cayman Islands, Netherlands Antilles, Panama, Hong Kong, Luxembourg, Singapore, and Switzerland combined had surplus and undivided profits of $548 million.

[6] Interviews with British and American merchant bankers in London suggest that Swiss banks, in particular, purchase most of the eurobonds they buy for the account and risk of their customers. Central banks and other governmental institutions purchase much of the rest of such fixed income issues, although their holdings of these are not always reported in the official foreign reserve statistics.

In this report, eurobonds and eurocurrency are on purpose written with a lower-case initial e. These markets are no longer largely confined to Europe, although Europe's historical and continuing importance has resulted in common retention of the prefix "euro" in describing foreign-currency transactions with non-residents (and residents) or non-domestic currency denominated bonds issued essentially for non-residents of the areas where the bonds are floated. The alternative "xenocurrency" is precise, but awkward. See also f.n. 7 to Appendix A.

[7] This is particularly true in the case of gold. European--particularly German--commercial banks are the most visible dealers in gold. However, it is commonly believed that they make open market purchases on behalf of non-European investors. Since the statistical trail stops at the visible purchase by banks in countries that may not generally be considered tax havens, no reliable data exist to inform estimates of gold holdings or any other category of real asset holdings required by this study.

[8] This $1.3 billion is not adjusted for changes in the valuation of foreign currencies relative to the dollar. In principle, it is possible to make such adjustments to recognize the divergences between "real" flows and gross flows through financial institutions handling more than one currency in a regime of fluctuating exchange rates. While the data exist to introduce such refinements in the method, the complexities of the calculations involved as a practical matter would rule out the extra effort needed.

[9] Such accounts, actually, amount to about $1 billion. See Commissarait Au Controle Des Bangues, Bulletin Trimestriel 79/1 where it is shown that the "comples fiduciaries" at year-end 1978 amounted to 24 billion francs.

[10] See Chapter IV for further discussion of this point.

[11] See Section B.2 of Chapter III for more discussion of this issue.

[12] The best information on gold may be found in a study made by J. Aron & Company Inc., called "Gold Statistics and Analysis," prepared in 1976. Much has happened since then, however, and the study needs updating.

[13] A Controlled Foreign Corporation is defined differently for purposes of administering Subpart F of the Code. To consider a foreign corporation a Controlled Foreign Corporation whose undistributed earnings and profits could be subject to U.S. taxation through their U.S. shareholders as Subpart F income, in general, the following conditions must be met: more than 50 percent of the total voting power of all classes of stock entitled to vote must be owned, directly or indirectly, by U.S. shareholders on any day of the taxable year of the foreign corporation. Moreover, only U.S. shareholders with a 10 percent or more direct or indirect ownership in the foreign corporation are to be considered in determining whether the foreign corporation was owned more than 50 percent by U.S. shareholders. Only shareholders with a 10 percent or more ownership are subject to the provisions of Subpart F. (Shareholders owning less than 10 percent are taxed solely on earnings and profits actually distributed to them by the foreign corporation.) For further details see U.S. Department of the Treasury, Internal Revenue Service, Statistics of Income -- 1968-1972, International Income and Taxes, U.S. Corporations and their Controlled Foreign Corporations, Washington, DC: U.S. Government Printing Office.

[14] Not all U.S. persons who conduct business abroad are U.S. corporations. Individuals, unincorporated businesses, partnerships, joint ventures, trusts or estates can have direct foreign investments also, either acting directly or through agents, nominees, managers, custodians or any other persons acting in similar capacities. The IRS does not tabulate data on the direct investments in any foreign affiliate of U.S. persons that are not corporations. Moreover, since the IRS data are confined to subsidiaries of corporations that are CFCs for purposes of filing Forms 2952 (see glossary for definition), the statistics on controlled foreign businesses exclude data on other subsidiaries that are not CFCs or data on unincorporated businesses and other legal forms of conducting business abroad.

Even so, the important, role CFCs play in the international direct investments of U.S. business enterprises should not be minimized. Based on preliminary, unpublished survey data supplied by the Bureau of Economic Analysis of the Department of Commerce, in 1977, 72 percent of the direct investments abroad of U.S. businesses, other than banks, had been made through majority owned U.S. subsidiaries. These are subsidiaries where ownership by U.S. reporters (to the official survey) is greater than 50 percent. To be a reporter, there must be at least a 10 percent ownership. Thus, the Commerce definition of a majority owned foreign subsidiary does not coincide with a CFC required to file a Form 2952. Nevertheless, the definitions are not far apart.

[15] For this study, international bank deposits are defined both in terms of the residency and currency principles. Thus they refer both to the foreign and local currency deposits owned by non-residents (of the area where the bank is located) and the foreign currency deposits owned by residents. This broader concept is to be distinguished from foreign bank deposits, or its counterpart on the asset side, namely, the foreign assets mentioned in Chapter 1. The latter is defined in terms of the residency principle only. The exclusive use of the residency principle adopted by the International Monetary Fund follows guidelines offered in internationally accepted statements of methodology for compiling economic statistics. These guidelines have been developed with a view of generating internationally comparable balance of payments statistics. For purposes of analyzing levels and flows of tax-haven funds, a more inclusive definition that also covers foreign currency deposits of residents is preferable.

[16] See the discussion in Section B. of Chapter II for further elucidation of this point.

[17] Last year, the Swiss government announced plans to impose a five percent tax on "fiduciary accounts," which are mostly denominated in foreign currencies. Such a tax, if legislated, would make keeping these accounts even more expensive. If the tax does not substantially curb their growth, it would provide further evidence that their owners are willing to pay a high price for secrecy and anonymity. See "Fiduciary Deposit Move," Financial Times World Tax Report, June 1980.

[18] M.S. Mendelsohn, Money on the Move (New York: McGraw Hill, 1980), p. 221.

[19] Bearer shares and other securities where ownership is not recorded normally trade at a premium over the registered security of similar value. Measures of the premiums involved are often not pure since the securities compared may differ from each other in significant respects. For example, the "Bearer Shares" and "Participation Certificates" of Swiss Bank Corporation may have traded at prices 15-40 percent higher than similar "Registered Shares" from year-end 1976 to year-end 1979 (Swiss Bank Corporation Annual Report 1979, p. 20), because the ownership of these bearer instruments could not be limited to Swiss nationals. The "Registered shares" have thus a more constricted market. A study, in the future, of premiums for bearer shares may prove valuable.

[20] This is based on confidential interviews with British and American merchant bankers in London.

[21] New issues of eurobonds in 1978-1979 ranged from about $14-19 billion annually. (Volumes of foreign bonds in national markets outside the United States were similar in magnitude.) After subtracting 10-20 percent for refinancing and redemptions included in those figures, net new issues of eurobonds ranged $11-17 billion. Swiss banks are estimated to have absorbed about one-third, or $4-6 billion annually, leading to an estimated $40-60 billion in total holdings. Data on eurobonds and foreign bonds are readily available. See Morgan Guaranty Trust Company, World Financial Markets (monthly), The World Bank, Borrowing in International Capital Markets (quarterly) and the Bank for International Settlements, Annual Report.

Based on data received from Orion Bank Ltd. in London, as of March 31, 1980, the total outstanding eurobonds were valued at $102 billion. Projecting this back to 1978 would yield a corresponding estimate of approximately $85 billion. Considering that the Swiss banks have purchased for their "securities/advisory accounts" about two-thirds of new eurobonds for many years, and only recently about one-third, the $40-60 billion range is confirmed.

[22] This is a very rough estimate. Foreign bonds have approximately equaled eurobonds in volume over the past decade, and this category includes all Swiss Franc-denominated bonds (lead underwriters for such securities are by custom the large Swiss banks). Swiss banks, however, may not have purchased as large a proporation of these bonds as eurobonds. Data on foreign bonds are readily available in sources cited in footnote 21 above.

[23] These were defined in Section D of Chapter II. See also footnote 14 to the main text for an assessment of the role CFCs play in the international investments of U.S. business.

[24] See footnote 14 above for further details.

[25] The principle, the direct investment statistics prepared by the Bureau of Economics of the Department of Commerce, based on survey data (described in footnote 29 below), should cover all foreign direct investments, including such investments of individuals. The Commerce Department recognizes, however, that the mailing lists to elicit information from individuals are far from complete.

[26] The capital diversion referred to here frequently does not involve a physical geographic relocation of capital assets. It is titles to assets rather than the actual assets as productive factors that are moved. One aspect of such relocations of assets on paper with little impact on production functions, may be quantified with CFC data reported on Forms 2952. This form supplies information both on principal cities and countries where business is conducted and on the country under the laws of which the CFC is incorporated. Consequently, it is possible to identify the net earnings before foreign taxes of CFCs whose principal place of business differs from the country where it is incorporated. Thus, such earnings may be measured as a percent of earnings of all CFCs in specified tax havens and industries. In 1976, for CFCs of U.S. giant corporations organized in all the havens studied, the average reported percentage of earnings outside the country where the CFC was incorporated was 38 percent. In some industries, this percentage was considerably higher. In mining, for example, it was 79 percent, in construction, 60 percent, in bank holding companies, 57 percent and in manufacturing, 44 percent. In the petroleum industries earnings exceed losses for CFCs whose principal place of business is outside the country under the laws of which they are incorporated, with the other CFCs reporting more losses than profits. In petroleum refining, in haven areas, earnings of CFCs with principal operations outside their area of incorporation amounted to 112 percent of total CFC earnings in that industry. For the petroleum wholesale trade, it was 201 percent. These measures of the extent to which business is conducted outside the area where the CFC is incorporated may be understated since taxpayers would have a tendency to report the principal country of business activity as the country under the laws of which the CFC is incorporated even when this may not be the case.

[27] The analysis was made in terms of the assets of CFCs formed in the havens rather than in terms of their earnings because assets are subject to less cyclical fluctuation than earnings.

[28] See Table 2 in Chapter III for more exact figures. Note, however, the small differences in the composition of the tax-haven areas between the Table 2 and Table 4 estimates.

[29] The data shown in this table are not comparable with the measures of CFC assets in Table 4. The direct investment data measure the value of U.S. owners' claims on the assets of its foreign affiliates, net of the claims of the foreign affiliates on the assets of U.S. owners. The U.S. direct investment position in incorporated foreign affiliates is the value of the U.S. parent's net ownership of its foreign affiliate's capital stock and related surplus accounts plus the U.S. parent's net outstanding loans to its foreign affiliates. The surplus accounts include capital surplus, earned surplus and other surplus. The outstanding loans include both short- and long-term debt. For unincorporated foreign affiliates, the U.S. direct investment position is measured by

one summary account, representing the claims of the U.S. entity on its affiliate's net assets. For a more thorough explanation of the Commerce Department's definition of U.S. direct investment position abroad, see Bureau of Economic Analysis, Social and Economic Statistics Administration, U.S. Department of Commerce, U.S. Direct Investment Abroad, 1966, Final Data, A Supplement to the Survey of Current Business, Washington, DC: U.S. Government Printing Office, 1976, pp. 27-8.

[30] Earnings equal to the U.S. owner's share in net income of its foreign affiliates after foreign taxes. Earnings include the earnings of second-tier controlled corporations which in turn includes the earnings of lower-tier corporations. Reinvested earnings are defined as the U.S. owner's share of the earnings of its incorporated foreign affiliates less any amounts not available for reinvestment. For more elaborate explanations, see U.S. Direct Investment Abroad, 1966, pp. 99-100.

[31] The higher earnings in the tax havens reflect the low rates of foreign tax in those areas. When earnings rates before taxes were analyzed, using CFC data from Forms 2952, current earnings and profits were no higher in the havens than in the non-havens over a number of years and industries. The CFC data did show, however, large differences in tax rates. For 1976, foreign taxes as a percent of positive current earnings before tax of CFCs of giant U.S. corporations with assets of $250 million or more were in the neighborhood of 15 percent in the tax haven areas combined (CFCs with deficits were excluded from the analysis not to distort the results.) Even an average 15 percent may appear to be surprisingly high for areas many of which have effective tax rates close to zero. The explanation is that the foreign taxes reported for CFCs in havens include the taxes paid by corporations whose principal place of business was outside the country where the CFC was incorporated. Consequently, in areas where a large proportion of the activities of companies incorporated there took place in relatively high tax countries, the data on foreign tax rates do not properly reflect the level of taxes imposed by the country of incorporation. Even so, in 1976, the foreign tax rates reported for CFCs of U.S. giant corporations with positive earnings in the tax haven areas studied ranged from close to 0 for Liechtenstein, Bahrain and Bermuda to about 20 percent or more for Singapore, Switzerland and Costa Rica.

[32] From the figures on reinvested earnings and the earnings of U.S. controlled businesses shown in Table 5, it may be calculated that, in the tax haven areas the percentages reinvested have varied from a low 35.1 percent in 1974 to a high 48.9 percent in 1970. The comparable percentages in the nontax haven areas have varied from a low 37.2 percent in 1968 to a high 47.7 percent in 1978.

[33] For more data on inward investment see Appendix E and Tables 1 to 3 of Appendix F.

[34] A search for indirect evidence on this matter in terms of reported incomes -- which would automatically exclude most illegal-source incomes -- was not conclusive. According to IRS Statistics of Income, the combined reported interest, dividends and fiduciary incomes of individuals with adjusted gross income (AGI) of $100,000 and over as a percent of their total AGI declined from 33.9 percent in 1970 to 22.7 percent in 1978. Since part of this decline may be due to shifts out of financial assets into real estate and other real assets, trends in net rental income, capital gains and partnership income -- that has a large component of real estate partnership income -- were also examined. For the AGI $100,00 and over income class, between 1970 and 1978, reported net rental income as a percent of AGI increased by about half a percentage point. At the same time, however, partnership income declined from 8.1 percent to 6.3 percent of total AGI, with reported realized capital gains declining even faster, from 20.8 percent in 1970 to 10.4 percent in 1978.

During an inflationary period, when the economic value of money incomes steadily diminishes, the reduced importance of passive incomes in $100,000 and over AGIs need not indicate more extensive use of tax havens and/or shelters. Instead, it may reflect the increasing role of wages and salaries in raising the incomes of individuals above the $100,000 level. This factor, however, is not likely to be as important in the patterns of income growth for individuals with AGI of $500,000 and more. Consequently, trends in the reported passive income of individuals in this class were also reviewed for the decade preceding 1978. For this higher income group, the ratios of passive income to AGI did not show a clear pattern of pronounced declines as was seen for the AGI $100,000 and over group.

All the same, further study of trends in reported incomes from various sources in the highest income classes may prove valuable. As long as the patterns of property income growth in the higher income classes indicate ownership of assets consistent with economic trends, there would be no presumption that increasingly individual assets are being shifted to the tax havens. At present, the evidence on this question is not clear. In developing such evidence, it would help to classify statistics on the composition of high incomes in fixed percentile classes rather than, or in addition to, income classes defined in terms of fixed dollar amounts (of changing economic significance as the monetary unit represents less and less purchasing power). This type of analysis, however, would not throw much light on the use of havens by individuals with illegal-source incomes, since, in general, such persons do not report more than a small fraction of their earnings.

[35] The accounts of banks in individual tax havens are presented in Appendix B. Measures of these accounts were developed for this study through original research conducted to uncover information from every available source on primary macro data on the national banking systems of 11 tax haven areas. The inadequacies of data in this field, prepared earlier by others, are discussed in Appendix A.

[36] Had the rates of growth been calculated from the smaller bases in 1968, they would have been 59 percent a year for both deposits of non-banks and total deposits held in the Western Hemisphere tax-haven areas.

[37] For data on number of U.S. owned foreign corporations by tax-haven area and percent of U.S. ownership over the period 1970 to 1979, see Table 4 of Appendix F.

[38] See, for example, Caroline Doggart, Tax Havens and Their Users, (London, the Economist Intelligence Unit Ltd. 1979) and Thomas Kelen, "The World of Offshore Finance," The Banker, April 1977.

[39] See, for example, Maduro and Curiel's Bank N.V., Netherlands Antilles Business Guide (Canada, 1972); Scotiabank, The Bank of Nova Scotia, Bahamas Business Guide (Canada, 1976); Bermuda National Bank Limited, Bermuda Business Guide (Canada, 1976).

Glossary

Assets of U.S.- controlled foreign corporations are those reported in the end-of-year balance sheet in the corporation's books of account. The assets were net after reduction by accumulated depreciation, amortization, depletion and reserves for bad debts.

Controlled Foreign Corporation for purposes of administering Subpart F of the Code is a foreign corporation whose undistributed earnings and profits could be subject to U.S. taxation through their U.S. shareholders as Subpart F income. For this to happen, in general, the following conditions must be met: more than 50 percent of the total voting power of all classes of stock entilted to vote must be owned, directly or indirectly, by U.S. shareholders on any day of the taxable year of the foreign corporation. Moreover, only U.S. shareholders with a 10 percent or more direct or indirect ownership in the foreign corporation are to be considered in determining whether the foreign corporation was owned more than 50 percent by U.S. shareholders.

Controlled Foreign Corporation (CFC) for purposes of filing a Form 2952 is a corporation incorporated in a foreign country which is controlled by one U.S. shareholder for at least 30 consecutive days during the taxable year of the corporation. Control of a foreign corporation is defined as direct and indirect ownership of stock possessing more than 50 percent of the voting power of all classes of stock entitled to vote or more than 50 percent of the total value of all shares of stock of the foreign corporation. Indirect control of a foreign corporation extends without limit from the directly controlled (first tier) foreign corporation through succeeding tiers in a chain of control.

Current earnings and profits of Controlled Foreign Corporations represent the difference between the total earnings of foreign corporations at the end of the current year and the accumulated earnings and profits of corporations as of the beginning of the year.

Direct foreign investment is an investment where there is ownership or control--directly or indirectly--by one U.S. person of 10 percent or more of the voting securities of an incorporated foreign business enterprise or an equivalent interest in an unicorporated business enterprise, including a branch.

Earnings of U.S.-controlled foreign businesses (a Commerce Department concept) equal the U.S. owner's share in the net income of its foreign affiliates after foreign taxes. Earnings include the earnings of second-tier controlled corporations which in turn includes the earnings of lower-tier corporations.

Eurocurrency transactions are transactions in non-domestic currencies that are made possible by banks authorized to accept deposits and make loans in currencies other than the currency of the country where the bank is transacting the business.

Eurobonds are bonds denominated in currencies other than the currency of country where the underwriters are floating the issue. The bonds are mainly purchased by non-residents of the country where the business is transacted.

Foreign assests of deposit banks consist of gold and actual claims, including loans, of all types--denominated in any currency--on non-residents (of the area where the bank is located).

Foreign bank deposits are foreign and local currency deposits owned by non-residents (of the area where the bank is located).

Foreign base company sales income generally refers to sales of property produced in the United States or a foreign country and sold through a related distributor organized in another country which has lower tax rates for use outside that country.

Foreign base company services income in general refers to income from services performed or furnished for a related person, which includes a corporation, outside the country of incorporation of the Controlled Foreign Corporation.

Foreign personal holding company income refers to "passive" investment income, including interest, dividends, rents, and royalties (but with certain exceptions).

Includable income consists of relevant Subpart F and other incomes which are not actually received from a Controlled Foreign Corporation, but which are reported by the parent corporation and are taxable.

International bank deposits are foreign and local currency deposits owned by non-residents (of the area where the bank is located) and foreign currency deposits owned by residents.

Levels of investment in U.S.-controlled foreign business enterprises (a Commerce Department concept) equal the value of U.S. owners' claims on the assets of its foreign affiliates net of the claims of the foreign affiliates on the assets of U.S. owners. (For more details see footnote 29 to the main text).

Offshore financial center is a territory where a conscious policy of encouraging offshore banking is followed by drawing a line between resident and non-resident banking operations, removing reserve requirements on the latter, and applying separate rules with respect to taxation, foreign exchange and banking controls to favor non-resident banking in nondomestic currencies.

Reinvested earnings of incorporated affiliates (a Commerce Department concept) are defined as the U.S. owner's share of the earnings of its incorporated foreign affiliates less any amounts not available for reinvestment. (For more details see footnote 30 to the main text).

Swiss "fiduciary accounts" refer to camouflaged funds invested by Swiss banks. They are taken almost entirely from non-residents of Switerland and as a rule re-invested outside Switerzerland. They take the form of bank deposits made in the name of the Swiss bank, but for the account and risk of the true owners.

Swiss "securities/advisory accounts" are trust accounts administered by Swiss banks for the account and risk of the account holder, who are for the most part non-residents of Switerzland. The funds, taken largely from non-residents, are invested in eurobonds, other bearer bonds, stocks, real estate and in other stores of wealth, including precious metals and other commodities for the acount and risk of the account holder.

Subpart F income, defined in Code section 952, includes the sum of (1) income attributable to premiums from insurance of U.S. risks received by foreign insurance companies that are Controlled Foreign Corporations and (2) foreign base company income which includes (a) foreign personal holding company income, (b) foreign base company sales income and (c) foreign base company services income.

Tax haven area is a country or area that has little or no income tax (compared with the United States) and a high level of bank or commercial secrecy that the country refuses to breach even under an international agreement.

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APPENDIX A

The Sources and Types of Banking Data Used

This appendix explains why banking data from the national sources of each of the tax haven areas had to be used. This involved a discussion of the limitations of available data on international banking prepared by the International Monetary Fund, the Bank for International Settlements and Morgan Guaranty Trust Company for purposes of estimating tax haven money flows. Appendix A also presents a proper method of estimating the accounts of branches and subsidiaries of U.S. banks in tax haven areas so the transactions of these banks can be distinguished from those of foreign banks.

A. The Available Data from National Sources

Banking's primary function is to provide financial intermediation--receiving funds from large numbers of suppliers and making them available to a generally different set of users. This business depends on the maintenance of accurate, timely, and detailed accounts at each bank. The accounts banks keep are also reasonably public. Because of their importance as repositories of wealth, as providers of finance, as creators of money and settlers of domestic and international payments, banks are closely monitored. National banking authorities normally require submission of reports at various intervals. In most countries they further require that the statement of condition (balance sheet) of each bank be published at least annually. These balance sheets, normally made public at least once a year, constitute the micro statistical source material for any quantitative analysis of international banking, including the analysis of tax haven assets.

These data are normally combined at least annually by central banks or other national regulatory bodies to form national banking system data. Different types of micro data combinations are used to service the different purposes of various monetary authorities. For example, some may separate thrift institutions from commercial banks, or combine loans and investments, while others may distinguish trust liabilities from the banks' own liabilities.[1/] While national regulators periodically obtain from their banks a full set of micro source data, they do not always choose to collect or publish these statistics as frequently or in as great detail as one might wish. Consequently, even though the published primary macro data on national banking systems, or more briefly, the national source data, constitute an invaluable research tool in estimating the size of assets owned by residents of a tax haven area, they can only be used with confidence by someone thoroughly familiar with the peculiarities of the data on the banking systems of different countries.[2/]

The statistical information on international banking is not confined to primary national source materials. Recently, several major institutions in the West have also taken an interest in international banking data. Consequently, they have collected, adjusted and combined national source banking system data and published their results. These may be called secondary macro source data. Such data, however, must be used with even greater caution, since they inevitably entail additional selection, combination and/or omission of relevant data elements, according to the purposes of the institution's publication.[37] For purposes of the present study, secondary macro source data were used only to supplement the primary national source data, or as a check on estimates based on these data.

The detailed information available in the micro accounts of individual banks are normally combined in national source data on banking systems in similar detail. Before examining the major existing secondary sources of macro data on international banking for the contribution they could make to the estimation of tax haven money flows, it is useful to outline the types of accounts which individual banks (and banking systems) report. This is done in Figure A-1 (a page of explanatory notes to abbreviations follows Figure A-1). Note that the actual asset and liability accounts of banks may be presented in a very similar way for each of the four types of transactions: in national and foreign currencies, and with resident and non-resident customers. Contingent accounts, such as forward foreign exchange, are also handled in a similar way for each of the four types of transactions. For convenience of presentation, trust assets and liabilities have been included among the various contingent accounts, although in the estimates of money flows, the trust assets of tax haven transactions are considered to be non-banking financial assets.

Bank regulations and/or differing business practices may greatly affect the relative magnitudes of individual accounts, but virtually all banks and national regulatory authorities report most of this information at least annually. At times the data are incomplete (contingent account data are frequently difficult to obtain in the desired detail). Sometimes, though, the data are provided in much greater detail. For example, information on the location of foreign obligors, the sectoral breakdown of loans, the maturity structure of assets and liabilities, and the nationality of bank ownership, are made available in various combinations. For the purpose of analyzing the major existing sources of data on tax-haven banking, however, the classification in Figure A-1 will be sufficient.

B. The IMF Data on Banking

Probably the best known source of international banking (and other financial) data is the monthly publication of the Bureau of Statistics on the International Monetary Fund (IMF), International Financial Statistics (IFS). The Money and Banking sections of each country page (section 20, "Deposit Money Banks," section 40, "Other Financial Institutions," and section 30, "Monetary Survey") provide, in standardized form, the most recent updates on the banking and financial statistics available from national sources.[47] Such statistics have normally been provided to the Bureau via the published reports of countries reporting to the IMF (although direct submissions by the authorities of

BANK BALANCE SHEET COMPONENTS

ACTUAL ASSETS		ACTUAL LIABILITIES	
FOREIGN CURRENCY Column A	LOCAL CURRENCY Column B	LOCAL CURRENCY Column C	FOREIGN CURRENCY Column D
Resident	Resident	Resident	Resident
1. Due from Banks	1. Cash/Due from Banks	1. Due to Banks	1. Due to Banks
2. Interbank Deposits	2. Interbank Deposits	2. Interbank Deposits	2. Interbank Deposits
3. Securities Held	3. Securities Held	3. Non-Bank Deposits	3. Non-Bank Deposits
4. Trade-Related Assets	4. Trade-Related Assets	4. Acceptances	4. Acceptances
5. Other Lending	5. Other Lending	5. Borrowed Money	5. Borrowed Money
		Equity Capital	
Non-Resident	Non-Resident	Non-Resident	Non-Resident
6. (Working Balances)	6.	6. (Working Balances)	6.
7. Interbank Deposits	7. Interbank Deposits	7. Interbank Deposits	7. Interbank Deposits
8. Securities Held	8. Securities Held	8. Non-Bank Deposits	8. Non-Bank Deposits
9. Trade-Related Assets	9. Trade-Related Assets	9. Acceptances	9. Acceptances
10. Other Lending	10. Other Lending	10. Borrowed Money	10. Borrowed Money
CONTINGENT ASSETS		CONTINGENT LIABILITIES	
Resident	Resident	Resident	Resident
11. Forward FX Bought (LCY Sold)	11. Forward FX Sold (LCY Bought)	11. Forward FX Bought (LCY Sold)	11. Forward FX Sold (LCY Bought)
12. CL Credits/ Guaranty Undrawn	12. CL Credits/ Guaranty Undrawn	12. LC/Guaranty Open	12. L/C Guaranty Open
13. CL Recourse Paper	13. CL Recourse Paper	13. Rediscounts	13. Rediscounts
14. Trust Assets (Fiduciary)	14. Trust Assets (Fiduciary)	14. Trust Liabilities (Fiduciary)	14. Trust Liabilities (Fiduciary)
Non-Resident	Non-Resident	Non-Resident	Non-Resident
15. Forward FX Bought	15. Forward FX Sold	15. Forward FX Bought	15. Forward FX Sold
16. CL L/C Guaranty O/S Undrawn	16. CL L/C Guaranty O/S Undrawn	16. L/C Guaranty Open	16. L/C Guaranty Open
17. CL Recourse Paper	17. CL Recourse Paper	17. Rediscounts	17. Rediscounts
18. Trust Assets (Fiduciary)	18. Trust Assets (Fiduciary)	18. Trust Liabilities (Fiduciary)	18. Trust Liabilities (Fiduciary)

NOTE TO FIGURE A-1

Explanation of Abbreviations Used in Contingent Assets and Liabilities.

11. FX (Foreign Exchange); LCY (Local Currency in country of residence of banking office executing an exchange transaction).

12. CL (Customer Liability to a bank which has made an undertaking on behalf of the customer); L/C (Letter of Credit -- or similia financial undertaking, such as a Guaranty -- made to a third party by a bank on behalf of a customer, but which remains O/S "outstanding" or undrawn by the third party in whose favor financial undertaking exists).

13. CL (Customer Liability to a bank which has purchased a promisory note or bill of exchange, but retained the right to reimburse itself from the customer should the "Recourse Paper" be dishonored); Rediscounts (Liabilities of a bank to third parties which have purchased financial assets of the bank "with recourse" to the bank should the financial assest be dishonored).

14. Trust Assets/Liabilities (Assets and Liabilities of a bank only as regards its fiduciary capacity, in that the actual assets are beneficially owned by the third parties).

15. Same as 11 above.

16. Same as 12 above.

17. Same as 13 above.

18. Same as 14 above.

individual countries are increasingly common). These data are reformatted by the Bureau in an attempt to provide consistent time series of comparable data for all countries. Gross market size statistics have normally been available through accumulations of multiple country data in the "World Tables" in the front of each issue. As mentioned earlier, since May 1980, a new series on deposit banks has also been available in the "World Tables."

Key lines of the section 20-series data provide the total foreign assets and liabilities (i.e., the accounts of non-residents, or cross-border accounts) of deposit money banks, the major component of deposit banks. The data in these lines combine in one single number for each reporting period the total of lines 6-10 of Figure A-1; in some instances, they also include data from line 18 of Figure A-1. The IMF's "Country Line" for deposit banks contains similarly defined accounts of all banks, even those not licensed to accept transferable deposits from domestic transactors.

Clearly, the purposes of the IMF in selecting, combining and segregating these foreign accounts should be reviewed before these data can be used for purposes of a tax haven study. The three major purposes which directly affect the IMF reformatting of their data are: proper assessment of domestic money, residency and timeliness of reporting.

Because of the importance of domestic money supply in the economic analysis performed by IMF staff and others in evaluating the member countries' economic management, the Bureau of Statistics of the IMF (Bureau) defines all institutions accepting transferable deposits from domestic transactors as deposit money banks. The data in this section thus frequently will relate not only to commercial banks, but also to other thrift institutions and postal/government giro (book transfer) accounts. The purposes of the Bureau in presenting these data, then, allow for ready measurement of domestic money and credit growth, but frequently obscure the role played by commercial banks as opposed to other types of domestic financial intermediaries.

The purposes of the Bureau have also led, until May 1980, to the exclusion from IFS of data on offshore banks (units which deal primarily or exclusively with non-residents) despite their importance in many world money-center countries. Data on such banks, when added to previously available data on deposit money banks, are provided in current issues of IFS as a new data series which is entitled deposit banks in recognition of its broader definition of the banks included.

The residency principle adopted by the Bureau of segregating transactions with non-residents of a country from those with residents of that country grows out of standard balance of payments concepts, and leads the Bureau to make a clear distinction in the accounts of deposit money banks, and in the accounts of deposit banks, between domestic and foreign assets and liabilities. While this distinction is useful for certain types of analysis, it does not provide any information on deposits made in foreign currencies by residents of tax haven areas in local banks. Such foreign currency deposits, especially when broken down to identify further the deposits of non-banks, give significant bases for assessing the importance of trusts, private investment companies and other transactors in tax haven areas.

IFS has always been a monthly publication of the IMF. This emphasis on timely updating of data also influences the Bureau's selection of national source data. In many countries, different categories of banks (large or small, regional or metropolitan, foreign-owned or nationally-owned) have different reporting requirements. Some report their positions weekly, others monthly or quarterly, others semi-annually or annually. National regulatory bodies, moreover, publish data on different categories of banks at different intervals. The Bureau has decided that data which are not available at least quarterly will not be included in the deposit money banks section of IFS (although, as available, they will be combined with other financial institutions). Thus, the purpose of timely updating of domestic money and credit data assists research into certain aspects of current domestic economic performance, but may not similarly assist research into banking aspects of tax haven transactions. Since the May 1980 publication of the deposit bank series, however, estimates for the foreign accounts of offshore banks, for which precise data are not available on a timely basis, have been included in the IMF data on international banking.

The foregoing analysis of IFS data presentation is intended to highlight the importance of caution in dealing with all secondary source material. While the new data series on deposit banks has made the IMF statistics more useful for current purposes, other problems remain. In view of these problems in IMF data (lack of details on currency composition of foreign assets and liabilities, information on the bank/non-bank split, and all cross-currency details), the estimates of tax haven banking assets were based primarily on national source data. The IFS data were used only as a check on the size of the estimates derived from other sources and in deriving the measures of excessive concentration of assets in tax haven areas.

C. Other Secondary Macro Sources of Banking Data

Other major institutions have also achieved prominence for their reporting and analysis of international banking developments over the past 15 years. The Bank for International Settlements (BIS), Morgan Guaranty Trust Company (Morgan), and some others[5/] have taken an interest in defining, measuring and publishing their estimates of the participation of banks in various forms of international lending. Their sources and methods are described below.

The BIS is an unusual bank.[6/] Its shares are owned by the central banks of eight European countries, and the common interests of its shareholders have allowed it to play an increasingly key role in official international finance. It has provided a forum where central bankers can meet confidentially to discuss current major issues. It also coordinates a multilateral surveillance effort to define, measure and monitor international banking developments.

The BIS took an early interest in the growth of the dollar deposit market evolving in London and certain Continental centers in the late 1950s and early 1960s. By 1963 it had arranged for its shareholder European central banks to provide it, directly, confidential information on the foreign currency and non-resident positions of their national banking systems. The BIS consolidated the data provided and in its 1964 Annual Report began several data series which continue to serve as perhaps the most authoritative source of information on what is known as the eurocurrency market.[7/]

Measures of eurocurrency market size by the BIS include external positions in foreign currencies held by banks in the European reporting area only (columns A and D in Figure A-1, lines 6-10 only). The BIS also has defined an international banking market based on a residency principle (similar to the IMF). This is the measure of gross market size most frequently cited by journalists. This measure adds Canada, Japan and the United States to its European reporting coverage, as well as branches of U.S. banks in non-European money centers. All reporting units report on total non-resident positions in both local and foreign currencies (Columns A, B, C, and D, lines 6-10, in Figure A-1). The BIS also provides memorandum information on reporting banks' foreign currency positions with residents (Columns A and D, lines 1-5, in Figure A-1).

In the early 1960s, the BIS was generally interested in all the international linkages of capital markets provided by the activity of major commercial banks, but particularly in the growth of transactions with non-residents in foreign currencies. They were especially interested in these transactions, since these were perceived to be developing in addition to the normal interbank working-balance and short-term trade-finance business of banks. Such transactions were properly considered then to be a form of novel external financial intermediation which raised important and interesting questions about world liquidity and credit creation. The BIS was also interested in distinguishing the gross indications of market size, that arise by simply combining national banking system data reported by its shareholder central banks, from a smaller net measure of the market which excludes pure interbank redepositing.[8/]

Since 1964, the BIS has, therefore, published two principal data series on a gross and net basis. The first draws directly on national banking system reports submitted by shareholder banks. These data are adjusted to eliminate certain normal interbank working-balance positions and trade finance. The BIS thus begins with lines 6-10 of Figure A-1, and excludes part or all of lines 6 and 9. (Its treatment of line 18, however, is not always clear.) These statistics from all reporting countries are then combined to provide an estimate of the gross size of the market, whether measured according to its narrow eurocurrency definition (non-resident foreign currency accounts), or according to its broader international banking definition (all non-resident accounts, in both local and foreign currencies).

These data are then further adjusted to separate transactions between banks within the European reporting area and those between banks outside the area. These statistics are then reduced by elimination of pure interbank trading within the European area (covered in line 7 in Figure A-1) to arrive at an estimate of the net size of the market.

Interbank positions, though, still account for over half of the net size of its Eurocurrency market. Banks which provide their national currency to buy foreign currencies for participation in the market, are considered by the BIS as net suppliers of Eurocurrency funds. Similarly, banks borrowing their own national currency, or borrowing foreign currency to switch to national currency, are considered net users of eurocurrency funds.[9] Presumably from a lack of available data, foreign currency positions covered by forward exchange contracts (Lines 11 and 15 in Figure A-1) are not adjusted in these data.

The limited number of countries from which the BIS receives reports has complicated some of its data adjustments. It posits that all sources of funds (both bank and non-bank) from outside its reporting area are net, as are all uses. But since it does not directly receive reports from many important banking systems, it "derives" these data from the data it does receive. Thus, it is forced to combine both assets and liabilities of banks within the reporting area to estimate, through available geographic detail, the net and gross sources and uses of funds.

For example, a bank in Germany lending marks funded by domestic Deutsche Mark deposits to a bank in London, or lending dollars purchased with domestic Deutsche Mark deposits, would be considered in these transactions to be a net supplier of eurocurrency funds. The same German bank's liabilities to a bank in Brazil (or prior to 1977, when the BIS reporting area was expanded by three new countries, Austria) in marks or dollars are also considered net sources of eurocurrency funds. This is because the German bank's liabilities are the counterpart of the depositor bank's own eurocurrency assets. While such data manipulations are conceptually consistent in principle, they have inherent flaws in practice since they are merely a proxy for consistent summing of the assets and/or liabilities of banks in all relevant countries (many of which do not report to the BIS).

The BIS data series has been subject to changes over the years, but, in general, prior years' data have regrettably not been restated when changes occurred. Treatment of the BIS's own position as a component of Swiss national source data has been modified, the position of the Bank of England Banking Department has been altered, and Sterling and French Franc trade credit have been both eliminated from and restored to BIS data during the 1964-1978 period. Additionally, the

European reporting area was broadened in 1975 to add data on banks in Canada, Japan and the United States, and later from major foreign branches of U.S. banks in non-European money centers. Greater geographic detail on the assets and liabilities of reporting banks was provided in 1976, and in 1977 three new reporting countries were added to the European reporting area.

The continual refinement in data has been augumented by the introduction of both a quarterly and a semi-annual data series, in addition to the Annual Report. The quarterly series provides timely geographical detail, while the semi-annual series provides additional information on the maturity structure of international bank leading.

All of these improvements are welcome. They have assisted the attainment of BIS objectives of providing a great deal more information on important aspects of international bankng transactions. The BIS data series, however, must be recognized clearly as a secondary data source, and used with caution.

The BIS has limited its published data series to information provided by certain cooperating central banks, although a good deal of international banking goes on outside the jurisdictional boundaries of these countries. It has adjusted the data received to eliminate certain assets and liabilities, and has defined as Eurocurrency certain (but not all) foreign currency claims on non-residents, but not foreign currency claims on residents (although such memorandum information is published). The BIS has modified its definition of its own and other significant participants' roles in its statistics over time, and has changed the base of reporting countries. It has established a concept of net market size which is predominantly interbank (despite frequent public assumption that this is the non-bank component). While the BIS has done an admirable job in continually improving its statistics, it has done so at the expense of significant loss of continuity and comparability in its data series. Therefore, the BIS data were used with caution in estimating the size of tax haven assets on a limited basis only. The main reliance was placed on a data series based on national statistical sources, specially prepared for the IRS, which largely eliminated the statistical flaws of the BIS data mentioned above.

Another institution has also become prominent as a source of data on the eurocurrency market. The Morgan Guaranty Trust Company (Morgan) publishes a monthly letter which provides fine statistical detail and well-written market comment.[107] In contrast to BIS, Morgan defines the eurocurrency market by using a currency principle. It includes all foreign currency positions, whether with residents or non-residents (columns A and D, lines 1-10, in Figure A-1). It also provides broader geographic coverage, by including more countries than even those in the BIS international banking market definition. It adds available national source data from some money centers (notably Bahrain, but also banks in Hong Kong and Singapore which are not branches of U.S. banks) which do not report to the BIS, then adds estimates for data not available from national sources. Morgan has adopted the basic BIS concepts of gross and net market size, but has recently begun to provide even more detail.[11/]

D. The U.K. and U.S. Primary Macro Sources

It is appropriate here to examine briefly only the most prominent national source data sources. The Bank of England has provided for some time a high degree of detail about the international banking transactions in its marketplace. U.S. regulatory authorities have also collected substantial data on American banks. The U.K. and U.S. sources, therefore, are the two most important data systems to review.

The Bank of England has traditionally taken great interest in international banking because of London's continual position as a world financial center, once in Sterling but now principally in foreign currencies. It publishes valuable data in its Quarterly Bulletin, both in its statistical annexes and in textual articles. The data normally provide full details of the combined accounts of the whole UK banking system (including more institutions than "Banks" as strictly defined by the Bank of England, making its coverage somewhat broader than IFS). These data provide disaggregation by residency, currency, type of obligor or depositor, maturity of asset or liability and by nationality groups of reporting banks. Such elaborate detail regrettably is not frequently paralleled in other national sources. Despite London's preeminent position as an international financial center, the existence of other important centers makes it possible that conclusions drawn from data in the UK might not be applicable throughout the whole market. This is the serious limitation in working with data, however good, from only a limited number of sources. Even so, data prepared by the Bank of England proved useful in developing rough estimates of funds placed by non-banks from the Caribbean area in British and American banks, as well as in developing a comprehensive profile of the international banking business of U.K. banks.

Information on international banking activities of banks in the United States, and of American banks' overseas offices, is collected by four official bodies -- but not all of it is published.

The U.S. Treasury Department (Treasury) collects and publishes data on foreign claims and liabilities of banks in the United States for balance of payments purposes. Through April of 1978, these data include the U.S. branches, agencies and subsidiaries of foreign banks, as well as the foreign accounts held by banks for their domestic customers. (Since April 1978, Treasury has separated these data, but time series analysis must start from that point.) These data excluded (and continue to exclude), however, investments by banks in foreign subsidiaries and affiliates, long-term foreign securities and certain other foreign claims. Certain data have thus been selected, combined or omitted for Treasury's purposes, and the data series does not represent the combined non-resident section of the balance sheets of banks in the United States.

Some modification of the Treasury data series is therefore required before these data can be used in a thorough analysis of tax haven funds placed with banks in the United States. (Modifications of this sort are outside the scope of the current IRS study on tax haven transactions, but data are available to support such an effort at a later time.)

The Board of Governors of the Federal Reserve System (Fed) collects and publishes monthly data on the assets and liabilities of major foreign branches of Fed member banks. This data series dates back to 1969, when the Fed assumed with relatively minor changes a data collection task that Treasury had been performing since mid-1965 pursuant to the provisions of the Interest Equalization Tax. Only about half of the total foreign branches of American banks report in this monthly data series, although these branches normaly account for more than ninety percent of the total assets and liabilities of all branches. Since 1964, at year-end, all foreign branches of Fed-member banks, including all national banks, have reported to the Fed and to the U.S. Controller of the Currency (Controller), although in a format slightly different from that required of the monthly reporting banks.12/

The Fed and the Controller also collect, but have not published, balance sheet data on foreign subsidaries of Fed-member banks and bank holding companies.13/ These year-end reports have been collected since before World War II, but have only recently been automated for easy data retrieval.

Other relevant data collected by the Fed, buy only partially published, include (i) a data series on assets and liabilities of U.S. branches, agencies and subsidiaries of foreign banks, as well as (ii) data on foreign claims held by U.S. banks for domestic customers and other foreign assets not reported to Treasury. These data are very important, since they allow adjustments to be made to the previously described Treasury data, in order to generate a full picture of international activities of American bank offices in the United States.

Since 1977, the Fed, the Controller and the Federal Deposit Insurance Corporation (FDIC) had cooperated to collect and release data on the foreign lending activities of American-chartered banks on a fully consolidated basis. This is the Country Exposure Lending Survey (CELS), which provides geographic and maturity detail on lending across national borders (cross-border lending) and lending to residents in non-national currencies (cross-currency lending).14/ Additionally, beginning in December 1978, these three regulatory agencies revised and harmonized the format of the year-end "call report" of condition, for domestic and foreign offices of all American-chartered banks, in order to provide better determination of foreign, domestic and fully consolidated operations.15/

In short, the national source data on banks in the United States and offices of American-chartered banks overseas, is substantial and complicated. It reflects the wide diversity of purposes which various American regulators have had in requesting the data and highlights the need for care in dealing with this macro source material for purposes of estimating tax haven money flows. In the present study, U.S. banking data were used mainly to subtract deposits made in U.S. banks from total bank deposits in tax haven areas, in order to develop rough estimates of the funds deposited in foreign banks which are believed to have greater appeal to U.S. taxpayers who do not intend to report their incomes to the IRS.

E. An Appropriate Method of Estimating Both the U.S. and Foreign Components of Tax Haven Banking

The relative accessability of some national source data, as well as readily available secondary source data on a much larger market (despite the serious pitfalls described above), have appeared to several analysts to allow direct comparisons. The ability to identify changes over time in the market share of American-chartered banks in the UK, for example, may have inspired others to attempt a similar tracking for a larger market. (Recent literature, as will be seen below, contains not a few citations reflecting this effort.)

In December 1976, Morgan published an estimate of American bank market share, derived by combining geographic data published by the Treasury on foreign claims of banks in the United States with Fed quarterly (geographic) data on assets of major branches of U.S. banks, and compared this to its own estimates of total eurocurrency claims on selected developing countries. This same method was used to update these estimates in July 1977.[16]

In June 1977, the IMF employed a similar approach to compare Treasury data on foreign claims and Fed monthly (balance sheet) data with expanded BIS data, in an attempt to determine U.S. bank market share in lending to non-banks.[17] Later in 1977, a report of the Subcommittee on Foreign Economic Policy of the Senate Committee on Foreign Relations cited both the Morgan and IMF analyses in arriving at its own policy conclusions.[18]

In January 1979, two IMF economists used the June 1977 IMF method with updated data to trace American bank market share in non-bank lending in an IMF/World Bank publication.[19] In June 1979, Euromoney published an article by the international economist of a major commercial bank in California, who again used this method to determine American bank market share.[20] As recently as September 1979, the IMF again used the same basic method to determine U.S. banks "percentage share" (sic).[21]

This widely-used method, however, is both flawed and inappropriate in estimating how much of the international banking business is handled by U.S. versus other banks. First, the Treasury data include the claims of U.S. branches, agencies and subsidiaries of foreign banks. These claims amounted to $49 billion at the end of 1978, or more than 47 percent of the reported total. (The September 1979 IMF publication, to its credit, did adjust for this fact.) Furthermore, these data also include foreign claims held by reporting banks for their domestic customers.

Second, these data totally exclude the claims of foreign subsidiaries of American banks. Many of these subsidiaries are located in countries which do not report to the BIS, and a significant portion of their lending would be included in the BIS statistics. Total combined assets of all such foreign subsidiaries exceeded $55 billion at the end of 1978.[22/]

The correct way of determining international banking flows through tax haven countries, and distinguishing the component flowing through American banks, entails creating two comparable data series, and then comparing them. To accomplish this, a data series on the total international banking market was created first, and then comparable data on American banks was also developed to obtain the non-American component as a residual.

Creation of the data series on international banking principally relied on various sources of national data on commercial banks and their relevant competitors, which were compiled annually by regulatory authorities in 11 tax haven areas during the 1968-78 period.[23/] These sources were used to construct aggregate data series on the total international banking market in those countries.[24/]

This market definition incorporates both the residency principle of the IMF and BIS, as well as the currency principle of Morgan. It uniquely describes an international market of bankers accepting foreign currency deposits from national residents, as well as national and foreign currency deposits from foreigners, in addition to measuring counterpart loans and interbank deposits. The conceptual and practical difficulties of using IMF, BIS or Morgan data directly (discussed earlier) have been eliminated or alleviated through the direct collection of national source data, and all amounts estimated have been specified to indicate the robust quality of the data.

The data used allowed disaggregation of the accounts into three relevant components. Cross-border accounts in the national currency of the country in which the bank is located are normally called "traditional foreign accounts;" they include all accounts in Columns B and C, lines 6-10, in Figure A-1. Cross-border accounts in foreign currencies-- the BIS definition of eurocurrency claims -- are the claims found in Columns A and D, lines 6-10. Accounts of a bank with a resident of the same country, but in currencies foreign to that country, are normally called "cross-currency" accounts; these are the claims found in Columns A and D, lines 1-5. These two latter components comprise Morgan's definition of the eurocurrency market.

The total international banking market is the combination of traditional foreign accounts and eurocurrency accounts. The data are most reasonably expressed in billions of U.S. dollars, rounded to the nearest hundred million dollars. The data series focuses on the direct deposits and loans of banks for their own account and risk, hence "trust" assets and other fiduciary accounts (Lines 14 and 18 in all columns) and other contingent accounts (Line 11-13 and 15-17 in all columns) were removed whenever they were identified.

The data series separates claims on banks (principally lines 1-2 and 6-7) from claims on non-banks (principally lines 3-5 and 8-10). It also distinguishes between claims denominated in U.S. dollars and claims denominated in all other currencies. This facilitates the procedure which adjusts annual claims in non-dollar currencies for the valuation effect of exchange-rate movements, in order to determine more accurately annual net new lending flows.

Annual data from 1968-78 were used, since shorter intervals would have necessitated a major loss of reporting coverage. The length of the time series allows for informed analysis despite the long annual interval. The choice of the year 1968 as a starting point places the beginning of the series close to the beginning of major market activity.

It is useful to provide continual indication of the relative robustness of these newly collected aggregate data series (since some interpretive judgement and/or outright estimation are required for most countries, for some data categories, at least for some years). Therefore, in each of the relevant categories of data collection, all amounts estimated for each tax haven country, each year, were recorded and included in the data tabulations prepared for the study. The annual totals of such amounts subject to estimate in each category of international accounts were arbitrarily assumed to be in error by a high factor of 30%. This arbitrarily estimated high annual error factor divided by that year's total of the relevant type of account, and subtracted from 100, created a very conservative "hard data index" number. This is the number, mentioned in an earlier discussion of the quality of the data used to indicate the relative reliance which may be placed on the statistical sources that provided the bases for the estimates derived for the present study.

NOTES TO APPENDIX A

[1] American bank balance sheets represent the actual assets, liabilities and shareholders' equity of individual institutions. Accounts held (even if held in the name of the bank) for the account and risk of third-party customers -- commonly known as "trust assets" or "fiduciary assets" (with counterpart liabilities) -- are not included in actual accounts, but are segregated. This practice is not uniformly followed world-wide, however, and care has been taken to compare only comparables.

[2] Fortunately, the IRS was able to engage the services of just such an expert, J.F. Sterling, Jr., an experienced international banker, independent consultant, author and recognized expert in the estimation of international banking markets.

[3] Moreover, none of the secondary data sources as yet publish separate estimates of the accounts of non-banks at the banks surveyed, in the geographic detail desired for a study of tax haven flow of funds.

[4] Each IFS country page contains data grouped into articulating sections, and each section has precisely defined component line entries. While parts of series 20 and 40 deal with the foreign assets of the financial sector of each individual country, series 20 focuses on institutions accepting transferable deposits from the domestic transactors, "Deposit Money Banks." The foreign assets and foreign liabilities components of this series are most relevant to this report. Normally these components for each reporting period are automatically converted at market exchange rates from national currency units to US dollar equivalents and included in section 10, lines 7a.d and 7b.d, as components of each country's international liquidity. Summary data can be derived from "World Tables" in the front section of each issue.

[5] The most widely known other source of data has been Bankers Trust Company, through statistics published by London Senior Economist, David F.A. Ashby, in various issues of The Banker: May 1974, vol. 124, no. 5; September 1976, vol. 126, no. 9; January 1978, vol. 128, no 1; and March 1979, vol. 129, no. 3.

[6] For a good short summary of the role of the BIS, see Richard Gorin, "Birthday in Basle," Federal Reserve Bank of San Franciso Monthly Review (June 1970), pp. 119-24.

[7] This report purposefully uses eurocurrency with a lower-case initial "e". See f.n. 5 to the main text for the reason. However, when referring to different usage of the same term by other institutions, the practice of the institution which owns the data will be followed. BIS data on the "Eurocurrency Market" involve the non-resident foreign currency positions of banks in eleven (previously eight) European countries. The Morgan data on the "Eurocurrency Market" include claims in foreign currencies on both residents and non-residents in a larger number of countries that the BIS includes.

[8] As David Ashby pointed out early on, this is "an economist's view of the market," not that of an international banker. "The 300 Billion Super-Dollar Market," The Banker vol. 124, no. 5 (May 1974), pp. 449.

[9] Helmut W. Meyer, "The BIS Concept of the Eurocurrency Market," Euromoney (May 1976), pp. 60-66.

[10] Morgan Guaranty Trust Company, World Financial Markets, (New York: Morgan Guaranty Trust Company, monthly.)

[11] Morgan has since July 1979 refined its annual data series to include disaggregations of gross market components by obligor and net market components by source. These data have been restated back to 1970.

[12] Fed staff sources indicate that there may be as many as a half-dozen non-Fed-member-bank foreign branches, but their assets are considered insignificant. Interview, July 1979.

[13] Genie Dudding Short and Betsy Buttrill White omitted citation of this, and other, data sources in their recent article designed to guide research into international lending by American banks. "International Lending: A Guided Tour Through the Data," Federal Reserve Bank of New York *Quarterly Review* (Autumn 1978), p.40.

[14] Board of Governors of the Federal Reserve System, Controller of the Currency, Federal Deposit Insurance Corporation, "Country Exposure Lending Survey." Year-end 1977 and 1978 data are available in Joint Press Releases dated June 8, 1978 and July 21, 1979.

[15] Regrettably, many banks had difficulty in switching to the new call report form, according to Fed staff sources who advise against relying heavily on any data provided on the first report date (December 1978). Interviews, August 1979.

[16] Morgan Guaranty Trust Company, *World Financial Markets* *op. cit.*, December 1976, p.4; June 1977 p.7.

[17] International Monetary Fund, *IMF Survey* "Supplement on International Lending" (Washington, D.C.: IMF, June 6, 1977), p. 177.

[18] US Congress, Senate Committee on Foreign Relations, Subcommittee on Foreign Economic Policy. *International Debt, the Banks, and US Foreign Policy,* by Karin Lissakers. (Washington, D.C.: GPO, 1977) pp. 44, 55.

[19] Andrew Crockett and Malcolm White, "International Bank Lending in Perspective." *Finance and Development* (Washington, D.C: IMF and World Bank, December 1978) vol. 15, no. 4, p. 45.

[20] Bruce F. DeVine. "US Banks Continue to Dominate the Market," *Euromoney* (June 1979) pp. 160-64. For comment on this article, see a rebuttal in the August 1979 issue, "US banks' lending ," pp. 4-5. DeVine's work was critiqued again in the February 1980 issue by Rodney W. Mills, Jr., a senior economist in the Fed's Division of International Finance, "US banks are losing their share of the market," pp. 50-62.

[21] *IMF Survey* (Washington, D.C.: IMF, September 9, 1979). This time the IMF staff used more sophistication in specifying the American bank data, but this did not offset the increased error inherent in expanding their total market specification to the "gross" market estimates of the BIS. It is noteworthy that, in February 1979, the IMF staff who prepared this table were made fully aware of the problems of their previous work, *op. cit.*, when those data and methods were verbally

disavowed, and it was stated that the IMF had no intention of using them again.

[22] Board of Governors of the Federal Reserve System, aggregate data from Form FR2314, unpublished.

[23] The measures extracted from the data series prepared for the 11 tax-haven areas for the years 1968-78 are presented in Appendix C. The data series were prepared for the IRS by J.F. Sterling Jr. (see f.n. 2 above).

[24] It is important to obtain a relatively complete universe of such lending. Major banks have the ability to "park" international loans to most obligors in virtually any location for tax, funding, accounting, or management-control purposes, and to move the "lending branch" as circumstances change. Thus, completeness of coverage is the only way to include the preferences of some banks to domicile their loans in Singapore, others in Philippines, Hong Kong, Tokyo or Bahrain, for their participations in the same "syndicated loan" to an Asian borrower.

APPENDIX B

International Banking Assets and Liabilities of Banks in Tax Haven Areas

INTERNATIONAL BANKING ASSETS (TOP SERIES) AND LIABILITIES (BOTTOM SERIES) 1968 - 1978
INTERNAL REVENUE SERVICE CONTRACT NO. TIR-80-38/NO-80-3191, CONTROL # 0-1-0591-31-11-2512(N/C)
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	TRADITIONAL FOREIGN ACCOUNTS		EUROCURRENCY ACCOUNTS						YEAR END MARKET FOREIGN EXCHANGE RATES -- DOLLAR IN UNITS OF NAT'L CCY	TYPE OF ACCOUNT				
	NATIONAL CURRENCY ACCOUNTS OF NON-RESIDENTS		FOREIGN CURRENCY ACCOUNTS OF NON-RESIDENTS			FOREIGN CURRENCY ACCOUNTS OF NATIONAL RESIDENTS								
END OF YEAR	TOTAL	NON-BANK	TOTAL	NON-BANK	US $	TOTAL	NON-BANK	US $		TOTAL	NON-BANK	US $	NON $	
1968	.0	.0	1.0	.5	.8	.1	.1	.1	1.000	1.0	.5	.3	.1	BAHAMAS
1969	.0	.0	4.0	1.5	3.6	.1	.1	.1	1.000	1.0	.7	.2	.3	BAHAMAS
1970	.0	.0	6.0	3.0	5.4	.1	.1	.1	1.000	1.4	.9	.3	.5	BAHAMAS
1971	.0	.0	12.0	6.0	10.8	.5	.1	.5	1.000	3.8	1.6	.5	1.0	BAHAMAS
1972	.0	.0	17.5	9.0	15.8	1.0	.1	.9	1.000	4.9	3.0	1.5	1.3	BAHAMAS
1973	.0	.0	25.0	13.0	22.5	1.5	.1	1.4	1.000	4.3	3.2	1.5	1.8	BAHAMAS
1974	.0	.0	35.5	17.1	32.0	4.0	.2	3.6	1.000	8.2	4.0	3.4	2.0	BAHAMAS
1975	.0	.0	49.4	23.5	44.5	6.0	.2	5.9	1.000	1.1	5.6	2.8	3.5	BAHAMAS
1976	.0	.0	65.6	33.0	59.0	8.0	.2	7.2	1.000	1.1	7.8	4.5	5.2	BAHAMAS
1977	.0	.0	75.1	35.0	67.6	12.0	.2	10.8	1.000	1.2	5.3	6.0	6.1	BAHAMAS
1978	.0	.0	90.3	33.0	81.0	15.0	.2	13.5	1.000	1.8	5.5	8.2	7.4	BAHAMAS
1968	.0	.0	1.0	.0	.9	.1	.1	.1	1.000	1.0	.0	.3	.1	BAHAMAS
1969	.0	.0	4.0	1.0	3.6	.1	.1	.1	1.000	1.0	.3	.2	.3	BAHAMAS
1970	.0	.0	6.0	1.5	5.4	.1	.1	.1	1.000	1.4	.7	.3	.4	BAHAMAS
1971	.0	.0	12.0	2.0	10.8	.5	.1	.5	1.000	3.8	.8	1.1	.8	BAHAMAS
1972	.0	.0	17.5	3.0	15.8	1.0	.1	.9	1.000	4.9	1.4	1.4	1.3	BAHAMAS
1973	.0	.0	25.0	4.0	22.5	1.5	.2	1.4	1.000	4.3	2.1	1.4	1.8	BAHAMAS
1974	.0	.0	35.5	8.0	32.0	4.0	.2	3.6	1.000	8.2	4.2	3.3	2.7	BAHAMAS
1975	.0	.0	49.4	10.5	44.5	6.0	.4	5.9	1.000	1.1	5.5	2.8	3.5	BAHAMAS
1976	.0	.0	65.6	13.0	59.0	8.0	.4	7.2	1.000	1.1	6.6	4.4	5.2	BAHAMAS
1977	.0	.0	75.1	20.0	67.6	12.0	.4	10.8	1.000	1.2	13.5	5.9	6.1	BAHAMAS
1978	.0	.0	90.3	21.0	81.0	15.0	.4	13.5	1.000	1.8	3.6	7.8	7.4	BAHAMAS

INTERNATIONAL BANKING ASSETS (TOP SERIES) AND LIABILITIES (BOTTOM SERIES) 1968 - 1978
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	NATIONAL CURRENCY ACCOUNTS OF NON-RESIDENTS		FOREIGN CURRENCY ACCOUNTS OF NON-RESIDENTS			FOREIGN CURRENCY ACCOUNTS OF NATIONAL RESIDENTS								
END OF YEAR	TOTAL	NON-BANK	TOTAL	NON-BANK	US $	TOTAL	NON-BANK	US $		TOTAL	NON-BANK	US $	NON $	
1968	.0	.0	.1	.0	.1	.1	.0	.1	1.000	.0	.0	.1	.0	BERMUDA
1969	.0	.0	.3	.0	.3	.1	.0	.1	1.000	.0	.0	.1	.0	BERMUDA
1970	.0	.0	.3	.0	.3	.1	.1	.1	1.000	.0	.0	.1	.0	BERMUDA
1971	.0	.0	.4	.0	.4	.1	.1	.1	1.000	.0	.0	.2	.0	BERMUDA
1972	.0	.0	.4	.0	.4	.1	.1	.1	1.000	.0	.0	.1	.0	BERMUDA
1973	.0	.0	.6	.0	.5	.2	.1	.2	1.000	.0	.0	.2	.1	BERMUDA
1974	.0	.0	.7	.0	.6	.2	.1	.2	1.000	.0	.0	.2	.1	BERMUDA
1975	.0	.0	.8	.0	.6	.2	.1	.2	1.000	.0	.0	.2	.1	BERMUDA
1976	.0	.0	.9	.0	.8	.2	.1	.2	1.000	.0	.0	.3	.1	BERMUDA
1977	.0	.0	1.0	.0	.9	.2	.2	.2	1.000	.0	.0	.4	.1	BERMUDA
1978	.0	.0	1.4	.0	1.3	.2	.2	.2	1.000	.0	.0	.4	.1	BERMUDA
1968	.0	.0	.2	.1	.1	.0	.0	.0	1.000	.1	.1	.1	.0	BERMUDA
1969	.0	.0	.3	.1	.2	.0	.0	.0	1.000	.1	.1	.1	.0	BERMUDA
1970	.0	.0	.4	.2	.3	.0	.0	.0	1.000	.1	.1	.1	.0	BERMUDA
1971	.0	.0	.5	.3	.4	.0	.0	.0	1.000	.1	.1	.1	.0	BERMUDA
1972	.0	.0	.6	.4	.5	.0	.0	.0	1.000	.1	.1	.2	.0	BERMUDA
1973	.0	.0	.7	.5	.6	.0	.0	.0	1.000	.1	.1	.2	.0	BERMUDA
1974	.0	.0	.8	.6	.7	.1	.1	.1	1.000	.0	.0	.2	.0	BERMUDA
1975	.0	.0	.8	.6	.7	.1	.1	.1	1.000	.0	.0	.2	.0	BERMUDA
1976	.0	.0	1.0	.8	.8	.1	.1	.1	1.000	.0	.0	.3	.0	BERMUDA
1977	.0	.0	1.1	.8	.9	.1	.1	.1	1.000	.0	.0	.3	.1	BERMUDA
1978	.0	.0	1.4	1.1	1.0	.1	.1	.1	1.000	.0	.0	.4	.1	BERMUDA

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	NATIONAL CURRENCY ACCOUNTS OF NON-RESIDENTS		FOREIGN CURRENCY ACCOUNTS OF NON-RESIDENTS			FOREIGN CURRENCY ACCOUNTS OF NATIONAL RESIDENTS								
END OF YEAR	TOTAL	NON-BANK	TOTAL	NON-BANK	US $	TOTAL	NON-BANK	US $		TOTAL	NON-BANK	US $	NON $	
1968	.0	.0	.0	.0	.0	.0	.0	.0	1.000	.0	.0	.0	.0	CARIBE/RESIDUAL
1969	.0	.0	.0	.0	.0	.0	.0	.0	1.000	.0	.0	.0	.0	CARIBE/RESIDUAL
1970	.0	.0	.0	.0	.0	.0	.0	.0	1.000	.0	.0	.0	.0	CARIBE/RESIDUAL
1971	.0	.0	.5	.0	.5	.0	.0	.0	1.000	.5	.0	.2	.0	CARIBE/RESIDUAL
1972	.0	.0	1.0	.0	.9	.0	.0	.0	1.000	1.0	.0	.3	.1	CARIBE/RESIDUAL
1973	.0	.0	2.0	.5	1.8	.0	.0	.0	1.000	2.0	.5	.5	.1	CARIBE/RESIDUAL
1974	.0	.0	3.0	1.0	2.7	.0	.0	.0	1.000	3.0	1.0	.8	.2	CARIBE/RESIDUAL
1975	.0	.0	4.0	1.9	3.6	.0	.0	.0	1.000	.0	.0	1.1	.3	CARIBE/RESIDUAL
1976	.0	.0	10.4	4.8	9.4	.0	.0	.0	1.000	.0	.0	2.8	.7	CARIBE/RESIDUAL
1977	.0	.0	6.0	1.4	5.4	.0	.0	.0	1.000	.0	.0	1.6	.4	CARIBE/RESIDUAL
1978	.0	.0	3.4	.8	3.1	.0	.0	.0	1.000	.0	.0	.9	.2	CARIBE/RESIDUAL
1968	.0	.0	.0	.0	.0	.0	.0	.0	1.000	.0	.0	.0	.0	CARIBE/RESIDUAL
1969	.0	.0	.0	.0	.0	.0	.0	.0	1.000	.0	.0	.0	.0	CARIBE/RESIDUAL
1970	.0	.0	.0	.0	.0	.0	.0	.0	1.000	.0	.0	.0	.0	CARIBE/RESIDUAL
1971	.0	.0	.5	.0	.5	.0	.0	.0	1.000	.5	.0	.2	.0	CARIBE/RESIDUAL
1972	.0	.0	1.0	.0	.9	.0	.0	.0	1.000	1.0	.0	.3	.1	CARIBE/RESIDUAL
1973	.0	.0	2.0	.0	1.8	.0	.0	.0	1.000	2.0	.0	.5	.1	CARIBE/RESIDUAL
1974	.0	.0	3.0	.0	2.7	.0	.0	.0	1.000	3.0	.0	.8	.2	CARIBE/RESIDUAL
1975	.0	.0	4.0	.0	3.6	.0	.0	.0	1.000	.0	.0	1.1	.3	CARIBE/RESIDUAL
1976	.0	.0	10.4	.3	9.4	.0	.0	.0	1.000	.0	.0	2.8	.7	CARIBE/RESIDUAL
1977	.0	.0	6.0	.4	5.4	.0	.0	.0	1.000	.0	.0	1.6	.4	CARIBE/RESIDUAL
1978	.0	.0	3.4	.1	3.1	.0	.0	.0	1.000	.0	.0	.9	.2	CARIBE/RESIDUAL

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	NATIONAL CURRENCY ACCOUNTS OF NON-RESIDENTS		FOREIGN CURRENCY ACCOUNTS OF NON-RESIDENTS			FOREIGN CURRENCY ACCOUNTS OF NATIONAL RESIDENTS								
END OF YEAR	TOTAL	NON-BANK	TOTAL	NON-BANK	US $	TOTAL	NON-BANK	US $		TOTAL	NON-BANK	US $	NON $	
1968	.0	.0	.0	.0	.0	.0	.0	.0	1.000	.0	.0	.0	.0	CAYMAN ISLANDS
1969	.0	.0	.0	.0	.0	.0	.0	.0	1.000	.0	.0	.0	.0	CAYMAN ISLANDS
1970	.0	.0	.5	.1	.5	.0	.0	.0	1.000	.5	.0	.2	.0	CAYMAN ISLANDS
1971	.0	.0	1.0	.3	.9	.0	.0	.0	1.000	1.0	.0	.3	.0	CAYMAN ISLANDS
1972	.0	.0	2.0	.8	1.8	.0	.0	.0	1.000	2.0	.0	.5	.0	CAYMAN ISLANDS
1973	.0	.0	3.3	1.4	3.0	.0	.0	.0	1.000	.3	.0	.1	.0	CAYMAN ISLANDS
1974	.0	.0	4.8	2.1	4.3	.0	.0	.0	1.000	.4	.0	.1	.0	CAYMAN ISLANDS
1975	.0	.0	7.7	3.4	6.9	.0	.0	.0	1.000	.8	.0	.2	.1	CAYMAN ISLANDS
1976	.0	.0	14.1	5.6	12.7	.0	.0	.0	1.000	2.1	.0	.6	.2	CAYMAN ISLANDS
1977	.0	.0	20.3	6.8	18.3	.0	.0	.0	1.000	4.0	.0	1.1	.4	CAYMAN ISLANDS
1978	.0	.0	26.3	5.6	23.7	.0	.0	.0	1.000	8.0	.0	2.2	.8	CAYMAN ISLANDS
1968	.0	.0	.0	.0	.0	.0	.0	.0	1.000	.0	.0	.0	.0	CAYMAN ISLANDS
1969	.0	.0	.0	.0	.0	.0	.0	.0	1.000	.0	.0	.0	.0	CAYMAN ISLANDS
1970	.0	.0	.5	.0	.5	.0	.0	.0	1.000	.5	.0	.0	.0	CAYMAN ISLANDS
1971	.0	.0	1.0	.1	.9	.0	.0	.0	1.000	1.0	.0	.0	.1	CAYMAN ISLANDS
1972	.0	.0	2.0	.2	1.8	.0	.0	.0	1.000	2.0	.0	.0	.1	CAYMAN ISLANDS
1973	.0	.0	3.3	.4	3.0	.0	.0	.0	1.000	.1	.0	.0	.2	CAYMAN ISLANDS
1974	.0	.0	4.8	.9	4.3	.0	.0	.0	1.000	.4	.0	.0	.4	CAYMAN ISLANDS
1975	.0	.0	7.7	1.3	6.9	.0	.0	.0	1.000	.4	.0	.1	.6	CAYMAN ISLANDS
1976	.0	.0	14.1	2.8	12.7	.0	.0	.0	1.000	1.1	.1	.3	1.0	CAYMAN ISLANDS
1977	.0	.0	20.3	4.7	18.3	.0	.0	.0	1.000	3.3	.3	.8	1.4	CAYMAN ISLANDS
1978	.0	.0	26.3	6.5	23.7	.0	.0	.0	1.000	8.0	.7	2.1	1.8	CAYMAN ISLANDS

INTERNATIONAL BANKING ASSETS (TOP SERIES) AND LIABILITIES (BOTTOM SERIES) 1968 - 1978
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THE DATA SERIES BELOW ARE DERIVED THROUGH ORIGINAL RESEARCH FROM (PRIMARILY) NATIONAL SOURCES
THE DATA SERIES BELOW BUILD ON PROPRIETARY METHODOLOGY (TRADE SECRETS) DEVELOPED BY J.F. STERLING, JR.
THESE DATA SERIES ARE CONFIDENTIAL

DATE	INTERNATIONAL ACCOUNTS DATA ($B)								EXCHANGE DATA	SUBJECT TO ESTIMATE ($B)				COUNTRY INFORMATION
	TRADITIONAL FOREIGN ACCOUNTS		EUROCURRENCY ACCOUNTS						YEAR END MARKET FOREIGN EXCHANGE RATES -- DOLLAR IN UNITS OF NAT'L CCY	TYPE OF ACCOUNT				
	NATIONAL CURRENCY ACCOUNTS OF NON-RESIDENTS		FOREIGN CURRENCY ACCOUNTS OF NON-RESIDENTS			FOREIGN CURRENCY ACCOUNTS OF NATIONAL RESIDENTS								
END OF YEAR	TOTAL	NON-BANK	TOTAL	NON-BANK	US $	TOTAL	NON-BANK	US $		TOTAL	NON-BANK	US $	NON $	
1968	.0	.0	.1	.0	.1	.0	.0	.0	1.800	.1	.0	.1	.0	NETHERLANDS ANTILLES
1969	.0	.0	.1	.0	.1	.0	.0	.0	1.800	.1	.0	.1	.0	NETHERLANDS ANTILLES
1970	.0	.0	.1	.0	.1	.0	.0	.0	1.800	.1	.0	.1	.0	NETHERLANDS ANTILLES
1971	.0	.0	.1	.0	.1	.0	.0	.0	1.800	.1	.0	.1	.0	NETHERLANDS ANTILLES
1972	.0	.0	.1	.0	.1	.0	.0	.0	1.800	.1	.0	.1	.0	NETHERLANDS ANTILLES
1973	.0	.0	.1	.0	.1	.0	.0	.0	1.800	.1	.0	.1	.0	NETHERLANDS ANTILLES
1974	.0	.0	.4	.2	.4	.0	.0	.0	1.800	.4	.2	.1	.0	NETHERLANDS ANTILLES
1975	.0	.0	.8	.5	.7	.0	.0	.0	1.800	.8	.5	.2	.1	NETHERLANDS ANTILLES
1976	.0	.0	1.5	1.3	1.4	.0	.0	.0	1.800	.0	.0	.4	.1	NETHERLANDS ANTILLES
1977	.0	.0	2.4	1.7	2.2	.0	.0	.0	1.800	.0	.0	.7	.1	NETHERLANDS ANTILLES
1978	.0	.0	3.1	2.2	2.8	.0	.0	.0	1.800	.0	.0	.8	.1	NETHERLANDS ANTILLES
1968	.0	.0	.1	.1	.1	.0	.0	.0	1.800	.0	.0	.1	.0	NETHERLANDS ANTILLES
1969	.0	.0	.1	.1	.1	.0	.0	.0	1.800	.0	.0	.1	.0	NETHERLANDS ANTILLES
1970	.0	.0	.1	.1	.1	.0	.0	.0	1.800	.0	.0	.1	.0	NETHERLANDS ANTILLES
1971	.0	.0	.1	.1	.1	.0	.0	.0	1.800	.0	.0	.1	.0	NETHERLANDS ANTILLES
1972	.0	.0	.2	.1	.2	.0	.0	.0	1.800	.0	.0	.1	.0	NETHERLANDS ANTILLES
1973	.0	.0	.2	.1	.2	.0	.0	.0	1.800	.1	.0	.1	.0	NETHERLANDS ANTILLES
1974	.0	.0	.5	.2	.5	.0	.0	.0	1.800	.4	.1	.1	.0	NETHERLANDS ANTILLES
1975	.0	.0	.9	.3	.8	.0	.0	.0	1.800	.8	.2	.2	.1	NETHERLANDS ANTILLES
1976	.0	.0	1.5	.4	1.4	.0	.0	.0	1.800	.0	.0	.4	.1	NETHERLANDS ANTILLES
1977	.0	.0	2.4	.8	2.2	.0	.0	.0	1.800	.0	.0	.7	.1	NETHERLANDS ANTILLES
1978	.0	.0	3.1	1.1	2.8	.0	.0	.0	1.800	.0	.0	.8	.2	NETHERLANDS ANTILLES

INTERNATIONAL BANKING ASSETS (TOP SERIES) AND LIABILITIES (BOTTOM SERIES) 1968 - 1978
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DATE	INTERNATIONAL ACCOUNTS DATA ($B)								EXCHANGE DATA	SUBJECT TO ESTIMATE ($B)				COUNTRY INFORMATION
	TRADITIONAL FOREIGN ACCOUNTS		EUROCURRENCY ACCOUNTS						YEAR END MARKET FOREIGN EXCHANGE RATES -- DOLLAR IN UNITS OF NAT'L CCY	TYPE OF ACCOUNT				
	NATIONAL CURRENCY ACCOUNTS OF NON-RESIDENTS		FOREIGN CURRENCY ACCOUNTS OF NON-RESIDENTS			FOREIGN CURRENCY ACCOUNTS OF NATIONAL RESIDENTS								
END OF YEAR	TOTAL	NON-BANK	TOTAL	NON-BANK	US $	TOTAL	NON-BANK	US $		TOTAL	NON-BANK	US $	NON $	
1968	.0	.0	.1	.0	.1	.0	.0	.0	1.000	.0	.0	.1	.0	PANAMA
1969	.0	.0	.2	.1	.2	.1	.1	.1	1.000	.0	.1	.1	.0	PANAMA
1970	.0	.0	.3	.3	.3	.1	.1	.1	1.000	.0	.1	.1	.0	PANAMA
1971	.0	.0	.5	.4	.5	.1	.1	.1	1.000	.0	.1	.2	.0	PANAMA
1972	.0	.0	.9	.6	.8	.2	.2	.2	1.000	.0	.2	.3	.1	PANAMA
1973	.0	.0	2.3	1.4	2.1	.3	.3	.3	1.000	.0	.3	.7	.1	PANAMA
1974	.0	.0	5.9	3.8	5.3	.5	.4	.5	1.000	.0	.5	1.7	.2	PANAMA
1975	.0	.0	8.2	5.5	7.4	.6	.5	.6	1.000	.0	.6	2.5	.2	PANAMA
1976	.0	.0	10.5	6.3	9.5	.7	.6	.6	1.000	.0	.7	3.0	.3	PANAMA
1977	.0	.0	14.1	8.8	12.7	.7	.6	.6	1.000	.0	.2	4.0	.5	PANAMA
1978	.0	.0	18.5	11.2	16.7	.8	.7	.7	1.000	.0	.2	5.2	.6	PANAMA
1968	.0	.0	.1	.0	.1	.0	.0	.0	1.000	.0	.0	.1	.0	PANAMA
1969	.0	.0	.3	.0	.3	.0	.0	.0	1.000	.0	.0	.1	.0	PANAMA
1970	.0	.0	.4	.1	.4	.0	.0	.0	1.000	.0	.1	.1	.0	PANAMA
1971	.0	.0	.8	.1	.7	.0	.0	.0	1.000	.0	.1	.2	.1	PANAMA
1972	.0	.0	1.2	.1	1.1	.0	.0	.0	1.000	.0	.1	.3	.1	PANAMA
1973	.0	.0	2.7	.4	2.5	.0	.0	.0	1.000	.0	.1	.8	.1	PANAMA
1974	.0	.0	6.5	.6	5.9	.0	.0	.0	1.000	.0	.5	1.8	.4	PANAMA
1975	.0	.0	9.0	.7	8.1	.0	.0	.0	1.000	.0	.5	2.4	.6	PANAMA
1976	.0	.0	11.3	.9	10.2	.0	.0	.0	1.000	.0	.9	3.1	.8	PANAMA
1977	.0	.0	14.8	1.0	13.3	.0	.0	.0	1.000	.0	.8	4.0	1.1	PANAMA
1978	.0	.0	19.9	1.2	17.9	.0	.0	.0	1.000	.0	1.0	5.4	1.4	PANAMA

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DATE	INTERNATIONAL ACCOUNTS DATA ($B)								EXCHANGE DATA	SUBJECT TO ESTIMATE ($B)				COUNTRY INFORMATION
	TRADITIONAL FOREIGN ACCOUNTS		EUROCURRENCY ACCOUNTS						YEAR END MARKET FOREIGN EXCHANGE RATES -- DOLLAR IN UNITS OF NAT'L CCY	TYPE OF ACCOUNT				
	NATIONAL CURRENCY ACCOUNTS OF NON-RESIDENTS		FOREIGN CURRENCY ACCOUNTS OF NON-RESIDENTS			FOREIGN CURRENCY ACCOUNTS OF NATIONAL RESIDENTS								
END OF YEAR	TOTAL	NON-BANK	TOTAL	NON-BANK	US $	TOTAL	NON-BANK	US $		TOTAL	NON-BANK	US $	NON $	
1968	.0	.0	.0	.0	.0	.0	.0	.0	1.000	.0	.0	.0	.0	BAHRAIN
1969	.0	.0	.0	.0	.0	.0	.0	.0	1.000	.0	.0	.0	.0	BAHRAIN
1970	.0	.0	.0	.0	.0	.0	.0	.0	1.000	.0	.0	.0	.0	BAHRAIN
1971	.0	.0	.1	.0	.1	.0	.0	.0	.4386	.0	.0	.1	.0	BAHRAIN
1972	.0	.0	.1	.0	.1	.0	.0	.0	.4386	.0	.0	.1	.0	BAHRAIN
1973	.0	.0	.1	.0	.1	.0	.0	.0	.3948	.0	.0	.1	.0	BAHRAIN
1974	.0	.0	.2	.0	.1	.0	.0	.0	.3948	.0	.0	.1	.1	BAHRAIN
1975	.0	.0	1.9	.5	1.4	.1	.0	.1	.3956	.0	.0	.4	.4	BAHRAIN
1976	.0	.0	6.0	1.7	4.5	.7	.0	.5	.3956	.0	.0	1.4	2.5	BAHRAIN
1977	.1	.0	13.9	3.7	10.4	2.2	.1	1.7	.3956	.1	.0	3.1	2.4	BAHRAIN
1978	.2	.0	20.9	6.2	15.7	3.0	.2	2.3	.3858	.2	.0	4.7	3.6	BAHRAIN
1968	.0	.0	.0	.0	.0	.0	.0	.0	1.000	.0	.0	.0	.0	BAHRAIN
1969	.0	.0	.0	.0	.0	.0	.0	.0	1.000	.0	.0	.0	.0	BAHRAIN
1970	.0	.0	.0	.0	.0	.0	.0	.0	1.000	.0	.0	.0	.0	BAHRAIN
1971	.0	.0	.0	.0	.0	.0	.0	.0	.4386	.0	.0	.0	.0	BAHRAIN
1972	.0	.0	.1	.0	.1	.0	.0	.0	.4386	.0	.0	.1	.0	BAHRAIN
1973	.0	.0	.1	.0	.1	.1	.1	.1	.3948	.0	.0	.2	.0	BAHRAIN
1974	.0	.0	.2	.0	.2	.1	.1	.1	.3948	.0	.0	.2	.0	BAHRAIN
1975	.1	.0	2.0	.0	1.5	.1	.1	.1	.3956	.0	.0	.5	.4	BAHRAIN
1976	.1	.0	5.9	.6	4.4	.7	.2	.6	.3956	.0	.0	1.5	1.1	BAHRAIN
1977	.1	.0	13.9	3.5	10.4	2.2	.2	1.7	.3956	.0	.0	3.6	2.8	BAHRAIN
1978	.1	.0	20.6	4.8	15.5	3.1	.2	2.4	.3858	.0	.0	5.4	4.1	BAHRAIN

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	TRADITIONAL FOREIGN ACCOUNTS		EUROCURRENCY ACCOUNTS						YEAR END MARKET FOREIGN EXCHANGE RATES -- DOLLAR IN UNITS OF NAT'L CCY	TYPE OF ACCOUNT				
	NATIONAL CURRENCY ACCOUNTS OF NON-RESIDENTS		FOREIGN CURRENCY ACCOUNTS OF NON-RESIDENTS			FOREIGN CURRENCY ACCOUNTS OF NATIONAL RESIDENTS								
END OF YEAR	TOTAL	NON-BANK	TOTAL	NON-BANK	US $	TOTAL	NON-BANK	US $		TOTAL	NON-BANK	US $	NON $	
1968	.0	.0	1.0	.1	.9	.0	.0	.0	6.100	.1	.1	.3	.1	HONG KONG
1969	.0	.0	1.1	.1	1.0	.0	.0	.0	6.059	.1	.1	.3	.1	HONG KONG
1970	.0	.0	1.3	.1	1.2	.0	.0	.0	6.077	.1	.1	.4	.1	HONG KONG
1971	.0	.0	2.0	.3	1.8	.0	.0	.0	5.705	.1	.0	.5	.1	HONG KONG
1972	.0	.0	2.4	.4	2.2	.1	.0	.1	5.700	.1	.0	.7	.1	HONG KONG
1973	.0	.0	2.8	.7	2.5	.2	.0	.2	5.090	.2	.0	.8	.1	HONG KONG
1974	.0	.0	4.9	1.5	4.4	.4	.1	.4	4.930	.4	.1	1.4	.2	HONG KONG
1975	.0	.0	6.6	2.5	5.9	.8	.2	.7	5.040	.8	.2	2.0	.2	HONG KONG
1976	.0	.0	9.5	4.2	8.6	1.2	.3	1.1	4.677	2.1	.3	2.9	.3	HONG KONG
1977	.0	.0	16.1	7.6	14.5	1.5	.4	1.4	4.620	1.9	.4	4.8	.5	HONG KONG
1978	.0	.0	20.8	8.4	18.7	2.0	.5	1.8	4.810	1.0	.5	6.2	.6	HONG KONG
1968	.0	.0	.2	.0	.2	.0	.0	.0	6.100	.0	.0	.1	.0	HONG KONG
1969	.0	.0	.3	.0	.3	.0	.0	.0	6.059	.0	.0	.1	.0	HONG KONG
1970	.0	.0	.4	.0	.3	.0	.0	.0	6.077	.0	.0	.1	.0	HONG KONG
1971	.0	.0	.5	.0	.5	.0	.0	.0	5.705	.0	.0	.1	.0	HONG KONG
1972	.0	.0	1.0	.1	.9	1.0	.0	.9	5.700	1.0	.0	.5	.1	HONG KONG
1973	.0	.0	1.8	.2	1.6	1.0	.0	.9	5.090	1.6	.0	.8	.2	HONG KONG
1974	.0	.0	3.1	.3	2.8	2.0	.0	1.8	4.930	2.0	.0	1.4	.4	HONG KONG
1975	.0	.0	4.2	.4	3.8	3.0	.1	2.7	5.040	3.0	.1	2.0	.5	HONG KONG
1976	.0	.0	6.3	.4	5.7	5.0	.2	4.5	4.677	5.0	.2	3.1	.8	HONG KONG
1977	.0	.0	10.1	.4	9.1	6.0	.3	5.4	4.620	6.0	.3	4.4	1.1	HONG KONG
1978	.0	.0	16.4	.5	14.7	6.0	.4	5.4	4.810	6.0	.4	6.0	1.6	HONG KONG

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	TRADITIONAL FOREIGN ACCOUNTS		EUROCURRENCY ACCOUNTS						YEAR END MARKET FOREIGN EXCHANGE RATES -- DOLLAR IN UNITS OF NAT'L CCY	TYPE OF ACCOUNT				
	NATIONAL CURRENCY ACCOUNTS OF NON-RESIDENTS		FOREIGN CURRENCY ACCOUNTS OF NON-RESIDENTS			FOREIGN CURRENCY ACCOUNTS OF NATIONAL RESIDENTS								
END OF YEAR	TOTAL	NON-BANK	TOTAL	NON-BANK	US $	TOTAL	NON-BANK	US $		TOTAL	NON-BANK	US $	NON $	
1968	.0	.0	1.0	.3	.5	.0	.0	.0	50.14	.2	.1	.4	.4	LUXEMBOURG
1969	.1	.1	1.8	.4	.8	.1	.0	.1	49.67	.3	.2	.6	.7	LUXEMBOURG
1970	.2	.2	3.6	1.7	1.6	.1	.0	.1	49.68	.4	.3	1.2	1.4	LUXEMBOURG
1971	.4	.4	5.9	2.7	2.7	.3	.0	.1	44.76	.6	.5	2.0	2.2	LUXEMBOURG
1972	.8	.8	9.0	3.9	4.1	.6	.0	.3	44.06	1.0	.9	2.9	3.6	LUXEMBOURG
1973	1.4	1.2	15.2	6.5	6.5	1.3	.0	.6	41.32	.0	.0	1.1	1.3	LUXEMBOURG
1974	1.9	1.8	19.9	10.2	8.3	2.2	.1	.9	36.12	.0	.0	1.4	1.8	LUXEMBOURG
1975	1.9	1.7	27.8	13.9	12.1	3.9	.1	1.7	39.53	.0	.0	2.4	2.9	LUXEMBOURG
1976	2.6	2.1	35.0	16.8	15.4	5.6	.1	2.5	35.98	.0	.0	3.3	4.2	LUXEMBOURG
1977	3.3	2.7	48.6	25.4	21.7	7.7	.4	3.4	32.94	.0	.0	4.5	7.9	LUXEMBOURG
1978	4.7	3.6	64.7	34.6	29.0	11.6	.6	5.2	28.80	.0	.0	6.5	9.9	LUXEMBOURG
1968	.1	.1	.6	.1	.3	.0	.0	.0	50.14	.2	.2	.2	.2	LUXEMBOURG
1969	.2	.2	1.1	.2	.6	.1	.0	.1	49.67	.4	.4	.4	.4	LUXEMBOURG
1970	.4	.4	2.8	.4	1.4	.1	.0	.1	49.68	.6	.6	1.1	1.0	LUXEMBOURG
1971	.8	.8	5.4	1.1	2.7	.3	.0	.2	44.76	.9	.9	2.0	2.0	LUXEMBOURG
1972	1.0	1.0	8.5	1.6	3.8	.6	.0	.3	44.06	1.0	1.0	2.9	3.5	LUXEMBOURG
1973	1.5	1.6	13.7	2.5	5.9	1.3	.0	.6	41.32	.0	.0	.4	.5	LUXEMBOURG
1974	2.3	2.4	19.3	4.4	8.1	2.2	.0	.9	36.12	.0	.0	.6	.9	LUXEMBOURG
1975	1.8	1.9	25.7	4.7	11.2	3.8	.0	1.7	39.53	.0	.0	1.0	1.5	LUXEMBOURG
1976	2.5	2.3	32.5	5.6	14.3	5.5	.0	2.4	35.98	.0	.0	2.0	2.2	LUXEMBOURG
1977	2.9	2.6	45.3	7.3	20.2	7.3	.0	3.3	32.94	.0	.0	2.8	2.8	LUXEMBOURG
1978	4.1	3.3	60.2	9.9	27.0	11.6	.0	5.2	28.80	.0	.0	4.4	4.5	LUXEMBOURG

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	TRADITIONAL FOREIGN ACCOUNTS		EUROCURRENCY ACCOUNTS						YEAR END MARKET FOREIGN EXCHANGE RATES -- DOLLAR IN UNITS OF NAT'L CCY	TYPE OF ACCOUNT				
	NATIONAL CURRENCY ACCOUNTS OF NON-RESIDENTS		FOREIGN CURRENCY ACCOUNTS OF NON-RESIDENTS			FOREIGN CURRENCY ACCOUNTS OF NATIONAL RESIDENTS								
END OF YEAR	TOTAL	NON-BANK	TOTAL	NON-BANK	US $	TOTAL	NON-BANK	US $		TOTAL	NON-BANK	US $	NON $	
1968	.0	.0	.1	.0	.1	.0	.0	.0	3.080	.0	.0	.1	.0	SINGAPORE
1969	.0	.0	.2	.0	.2	.0	.0	.0	3.090	.0	.0	.1	.0	SINGAPORE
1970	.0	.0	.4	.0	.4	.1	.0	.1	3.080	.0	.0	.2	.0	SINGAPORE
1971	.0	.0	1.2	.3	1.1	.2	.0	.2	2.900	.0	.0	.4	.1	SINGAPORE
1972	.0	.0	2.7	.7	2.4	.7	.0	.6	2.820	.0	.0	.9	.1	SINGAPORE
1973	.0	.0	5.2	1.4	4.7	2.0	.0	1.8	2.486	.0	.0	2.0	.2	SINGAPORE
1974	.0	.0	8.9	2.8	8.0	2.4	.0	2.2	2.312	.0	.0	3.1	.3	SINGAPORE
1975	.0	.0	11.2	3.5	10.1	2.6	.0	2.3	2.490	.0	.0	4.0	.4	SINGAPORE
1976	.0	.0	15.5	4.4	14.0	3.4	.0	3.1	2.456	.0	.0	5.1	.5	SINGAPORE
1977	.0	.0	19.5	5.3	17.6	3.7	.0	3.3	2.339	.0	.0	6.0	.7	SINGAPORE
1978	.0	.0	23.7	6.4	21.3	4.6	.0	4.1	2.164	.0	.0	7.6	.9	SINGAPORE
1968	.0	.0	.2	.0	.2	.0	.0	.0	3.080	.0	.0	.1	.0	SINGAPORE
1969	.0	.0	.2	.1	.2	.0	.0	.0	3.090	.0	.0	.1	.0	SINGAPORE
1970	.0	.0	.5	.2	.5	.0	.0	.0	3.080	.0	.0	.2	.0	SINGAPORE
1971	.0	.0	1.2	.2	1.1	.2	.0	.2	2.900	.0	.0	.4	.1	SINGAPORE
1972	.0	.0	2.0	.4	1.8	1.4	.0	1.3	2.820	.0	.0	.9	.2	SINGAPORE
1973	.0	.0	4.9	.8	4.4	2.2	.1	2.0	2.486	.0	.0	1.9	.5	SINGAPORE
1974	.0	.0	8.4	1.3	7.6	2.8	.3	2.5	2.312	.0	.0	3.0	.8	SINGAPORE
1975	.0	.0	10.5	1.7	9.5	3.0	.4	2.7	2.490	.0	.0	3.7	.9	SINGAPORE
1976	.1	.0	14.8	1.5	13.3	3.8	.5	3.4	2.456	.0	.0	5.0	1.3	SINGAPORE
1977	.1	.0	18.2	1.5	16.4	4.5	.8	4.1	2.339	.0	.0	6.2	1.5	SINGAPORE
1978	.1	.0	24.1	2.8	21.7	5.2	.8	4.7	2.164	.0	.0	7.9	2.0	SINGAPORE

INTERNATIONAL BANKING ASSETS (TOP SERIES) AND LIABILITIES (BOTTOM SERIES) 1968 - 1978
INTERNAL REVENUE SERVICE CONTRACT NO. TIR-80-38/NO-80-3191, CONTROL # 0-1-0591-31-11-2512(N/C)
THE DATA SERIES BELOW ARE DERIVED THROUGH ORIGINAL RESEARCH FROM (PRIMARILY) NATIONAL SOURCES
THE DATA SERIES BELOW BUILD ON PROPRIETARY METHODOLOGY (TRADE SECRETS) DEVELOPED BY J.F. STERLING, JR.
THESE DATA SERIES ARE CONFIDENTIAL

DATE	INTERNATIONAL ACCOUNTS DATA ($B)								EXCHANGE DATA	SUBJECT TO ESTIMATE ($B)				COUNTRY INFORMATION
	TRADITIONAL FOREIGN ACCOUNTS		EUROCURRENCY ACCOUNTS						YEAR END MARKET FOREIGN EXCHANGE RATES -- DOLLAR IN UNITS OF NAT'L CCY	TYPE OF ACCOUNT				
	NATIONAL CURRENCY ACCOUNTS OF NON-RESIDENTS		FOREIGN CURRENCY ACCOUNTS OF NON-RESIDENTS			FOREIGN CURRENCY ACCOUNTS OF NATIONAL RESIDENTS								
END OF YEAR	TOTAL	NON-BANK	TOTAL	NON-BANK	US $	TOTAL	NON-BANK	US $		TOTAL	NON-BANK	US $	NON $	
1968	2.9	1.6	5.0	1.1	4.1	.3	.2	.2	4.302	2.8	1.8	.5	.4	SWITZERLAND
1969	4.3	2.4	6.1	1.3	4.7	.4	.2	.3	4.318	5.0	2.6	.9	.5	SWITZERLAND
1970	5.7	3.1	6.0	1.3	4.9	.6	.4	.5	4.316	8.1	3.1	1.9	.6	SWITZERLAND
1971	8.0	3.6	10.3	1.7	7.9	1.3	.5	1.0	3.915	10.6	1.0	3.9	.2	SWITZERLAND
1972	6.8	3.5	15.5	3.4	11.5	1.4	.6	1.0	3.774	4.5	1.0	1.8	.3	SWITZERLAND
1973	9.5	5.0	17.9	4.6	12.9	1.3	.6	.9	3.244	2.9	.7	1.3	.3	SWITZERLAND
1974	12.0	6.8	24.5	5.7	17.7	1.6	.6	1.2	2.540	.0	.0	.8	.3	SWITZERLAND
1975	12.0	6.3	30.5	6.6	24.1	2.2	1.0	1.7	2.620	.0	.0	1.2	.4	SWITZERLAND
1976	14.6	5.7	35.2	8.9	27.0	3.0	1.6	2.3	2.451	.0	.0	1.6	.5	SWITZERLAND
1977	19.3	10.4	43.6	11.7	32.4	3.9	2.0	2.9	2.000	.0	.0	2.0	.7	SWITZERLAND
1978	25.8	15.1	57.4	16.4	35.8	6.5	3.5	4.5	1.620	.0	.0	4.3	4.1	SWITZERLAND
1968	3.5	2.3	3.5	2.0	3.1	1.0	.5	.9	4.302	1.6	3.0	.9	.2	SWITZERLAND
1969	4.2	2.7	5.5	3.1	4.9	1.4	.8	1.3	4.318	2.2	3.8	.8	.2	SWITZERLAND
1970	6.0	3.9	6.7	3.9	5.4	1.7	1.0	1.4	4.316	1.2	4.4	.8	.5	SWITZERLAND
1971	10.1	6.9	5.2	3.9	4.0	1.1	.5	.9	3.915	3.9	2.0	.0	.4	SWITZERLAND
1972	6.9	4.4	11.7	5.0	8.1	2.5	1.2	1.7	3.774	3.1	.0	.7	1.3	SWITZERLAND
1973	8.0	4.8	15.3	6.3	10.8	3.0	1.5	2.1	3.244	1.9	.0	1.8	1.6	SWITZERLAND
1974	10.6	6.4	20.4	8.5	15.7	4.0	2.4	3.1	2.540	.0	.0	2.5	1.7	SWITZERLAND
1975	9.2	5.9	24.4	10.1	19.1	4.8	2.6	3.8	2.620	.0	.0	6.1	1.9	SWITZERLAND
1976	9.9	6.6	29.5	11.2	22.8	5.5	2.9	4.2	2.451	.0	.0	6.5	2.4	SWITZERLAND
1977	11.7	8.2	36.2	14.2	26.4	6.6	3.3	4.8	2.000	.0	.0	7.3	3.5	SWITZERLAND
1978	15.0	10.9	49.4	18.9	34.1	9.5	4.7	6.6	1.620	.0	.0	9.7	5.5	SWITZERLAND

Appendix B Sources

Bahamas: Central Bank of Bahamas, *Quarterly Review*, various issues; Federal Reserve Board, *Federal Reserve Bulletin*, *Statistical Release E.11*, and unpublished data; Bank for International Settlements, "International Banking Developments," *Quarterly Press Release*, *Annual Reports*; Bank of England, *Bank of England Quarterly Bulletin*, various issues; Swiss National Bank, *Das Schweizerische Bankwesen*; International Monetary Fund, "World Tables," *International Financial Statistics Yearbook 1979*, May 1980.

Bermuda: Bermuda Monetary Authority, *Bermuda Monetary Authority Final Accounts and Annual Report*, various issues; Bermuda Monetary Authority, *Bermuda Digest of Statistics*, various issues.

Caribbean: Bank for International Settlements, *Annual Reports*, "International Banking Developments"; International Monetary Fund, Bureau of Statistics "Deposit Bank Data," unpublished.

Cayman Islands: Cayman Islands, *Report for the Year 1978*; Federal Reserve Board, *Federal Reserve Bulletin*, *Statistical Release E.11*, and unpublished data; Bank for International Settlements, *International Banking Developments*, *Annual Reports*, various issues; Bank of England, *Bank of England Quarterly Bulletin*, various issues; Swiss National Bank *Das Schweizerische Bankwesen*, various issues.

Netherlands Antilles: Bank van den Nederlandse Antillen *Quarterly Bulletin* and *Annual Report*, various issues.

Panama: Comision Bancaria Nacional, *Boletin Estadistico*, various issues.

Bahrain: Bahrain Monetary Authority *Quarterly Statistical Bulletin*, various issues.

Hong Kong: *Hong Kong Monthly Digest of Statistics* (Commissioner of Banking), various issues.

Luxembourg: Commissariate au Controle des Banques, *Bulletin Trimestriel*, various issues.

Singapore: Monetary Authority of Singapore, *Monetary Authority of Singapore Quarterly Bulletin*, various issues.

Switzerland: Swiss National Bank, *Das Schweizerische Bankwesen*, various issues.

APPENDIX C

International Deposits Owned
in the Tax Haven Areas
1975-1978

Note: Details may not add to totals and subtotals due to rounding.

International Deposits Owned in the Bahamas
(In Billion Dollars)

		(1)	(2)	(3)	(4)	(5)
			In Banks Located in the Bahamas			
Deposit Assets of Persons Other than Banks(Non-banks)[1]		In Banks Outside of the Bahamas	All Banks	Branches and Subsidiaries of U.S. Banks	Non-U.S. Banks (2)-(3)	In All Banks (1)+(2)
(1) Foreign-currency deposits owned by residents of the Bahamas in	1975	0.4	0.4	-	0.4	0.8
	1976	0.5	0.4	-	0.4	0.9
	1977	0.5	0.4	-	0.4	0.9
	1978	0.6	0.4	-	0.4	1.0
(2) Foreign-currency deposits owned by non-residents of the Bahamas in	1975	-	10.5	8.1	2.4	10.5
	1976	-	13.0	10.7	2.3	13.0
	1977	-	20.0	14.1	5.9	20.0
	1978	-	21.0	19.3	1.7	21.0
(3) Local-currency deposits owned by non-residents of the Bahamas in	1975	-	-	-	-	-
	1976	-	-	-	-	-
	1977	-	-	-	-	-
	1978	-	-	-	-	-
(4) All international deposits owned through the Bahamas in (1) + (2) + (3)	1975	0.4	10.9	8.1	2.8	11.3
	1976	0.5	13.4	10.7	2.7	13.9
	1977	0.5	20.4	14.1	6.3	20.9
	1978	0.6	21.4	19.3	2.1	22.0

Addendum items:

International assets of banks in the Bahamas in 1975 and 1978 amounted to $31.7 and $72.1 billion respectively.

International liabilities of banks in the Bahamas to other banks in 1975 and 1978 amounted to $44.5 and $83.9 billion respectively.

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[1] Local-currency deposits of local residents are excluded as irrelevant to measures of tax haven funds.

Sources: Central Bank of the Bahamas, Quarterly Review; Federal Reserve Board Bulletin, Statistical Release E.11, and uunpublished data; Bank for International Settlements, International Banking Developments Annual Reports; Bank of England Quarterly Bulletin; Swiss National Bank, Das Schweizerische Bankwesen; International Monetary Fund, International Financial Statistics; Federal Reserve Board, Unpublished tabulations.

International Deposits Owned in Bermuda
(In Billion Dollars)

Deposit Assets of Persons Other than Banks (Non-banks)[1]		(1) In Banks Outside of Bermuda	(2) In Banks Located in Bermuda: All Banks	(3) In Banks Located in Bermuda: Branches and Subsidiaries of U.S. Banks	(4) In Banks Located in Bermuda: Non-U.S. Banks (2)-(3)	(5) In All Banks (1)+(2)
(1) Foreign-currency deposits owned by residents of Bermuda in	1975	1.9	0.1	-	0.1	2.0
	1976	2.5	0.1	-	0.1	2.6
	1977	3.1	0.1	-	0.1	3.2
	1978	4.4	0.1	-	0.1	4.5
(2) Foreign-currency deposits owned by non-residents of Bermuda in	1975	-	0.6	-	0.6	0.6
	1976	-	0.8	-	0.8	0.8
	1977	-	0.8	*	0.8	0.8
	1978	-	1.1	*	1.1	1.1
(3) Local-currency deposits owned by non-residents of Bermuda in	1975	-	-	-	-	-
	1976	-	-	-	-	-
	1977	-	-	-	-	-
	1978	-	-	-	-	-
(4) All international deposits owned through Bermuda in	1975	1.9	0.7	-	0.7	2.6
	1976	2.5	0.9	-	0.9	3.4
	1977	3.1	0.9	*	0.9	4.0
	1978	4.4	1.2	*	1.2	5.6

Addendum items:

International assets of banks in Bermuda in 1975 and 1978 amounted to $0.9 and $1.4 billion respectively.

International liabilities of banks in Bermuda to other banks in 1975 and 1978 amounted to $0.2 and $0.3 billion respectively.

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[1] Local-currency deposits of local residents are excluded as irrelevant to measures of tax haven funds.

* Indicates less than $50 million.

Sources: Bermuda Monetary Authority *Annual Report*, *Bermuda Digest of Statistics*; Bank of International Settlements, *Annual Report*; Federal Reserve Board, Unpublished tabulations.

International Deposits Owned in the Caribbean Residual Area
(In Billion Dollars)

Deposit Assets of Persons Other than Banks (Non-banks)[1]		(1) In Banks Outside of the Caribbean Residual Area	(2) In Banks Located in the Caribbean Residual Area: All Banks	(3) In Banks Located in the Caribbean Residual Area: Branches and Subsidiaries of U.S. Banks	(4) In Banks Located in the Caribbean Residual Area: Non-U.S. Banks (2)-(3)	(5) In All Banks (1)+(2)
(1) Foreign-currency deposits owned by residents of the Caribbean Residual Area in	1975	n.a.[2]	-	-	-	n.a.[2]
	1976	n.a.	-	-	-	n.a.
	1977	n.a.	-	-	-	n.a.
	1978	n.a.[2]	-	-	-	n.a.[2]
(2) Foreign-currency deposits owned by non-residents of the Caribbean Residual Area in	1975	-	-	-	-	-
	1976	-	0.3	-	0.3	0.3
	1977	-	0.4	-	0.4	0.4
	1978	-	0.1	-	0.1	0.1
(3) Local-currency deposits owned by non-residents of the Caribbean Residual Area in	1975	-	-	-	-	-
	1976	-	-	-	-	-
	1977	-	-	-	-	-
	1978	-	-	-	-	-
(4) All international deposits owned through the Caribbean Residual Area in	1975	n.a.	-	-	-	n.a.[2]
	1976	n.a.	0.3	-	0.3	0.3
	1977	n.a.	0.4	-	0.4	0.4
	1978	n.a.	0.1	-	0.1	0.1[2]

Addendum items:

International assets of banks in the Caribbean Residual Area in 1975 and 1978 amounted to \$2.1 and \$3.4 billion respectively. International liabilities of banks in the Caribbean Residual Area to other banks in 1975 and 1978 amounted to \$4.0 and \$3.4 billion respectively.

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[1] Local-currency deposits of local residents are excluded as irrelevant to measures of tax haven funds.

[2] Because estimates of deposits outside of the Caribbean Residual Area were not available, the total deposits on all banks are understated.

Sources: Bank for International Settlements, Annual Reports, "International Banking Developments;" International Monetary Fund, Bureau of Statistics "Deposit Bank Data," unpublished.

International Deposits Owned in the Cayman Islands
(In Billion Dollars)

Deposit Assets of Persons Other than Banks (Non-banks)[1]		(1) In Banks Outside of the Cayman Islands	(2) In Banks Located in the Cayman Islands: All Banks	(3) In Banks Located in the Cayman Islands: Branches and Subsidiaries of U.S. Banks	(4) In Banks Located in the Cayman Islands: Non-U.S. Banks (2)-(3)	(5) In All Banks (1)+(2)
(1) Foreign-currency deposits owned by residents of the Cayman Islands in	1975	0.2	-	-	-	0.2
	1976	0.4	-	-	-	0.4
	1977	0.5	-	-	-	0.5
	1978	0.5	-	-	-	0.5
(2) Foreign-currency deposits owned by non-residents of the Cayman Islands in	1975	-	1.3	1.1	0.2	1.3
	1976	-	2.8	2.2	0.6	2.8
	1977	-	4.7	3.5	1.2	4.7
	1978	-	6.5	5.6	0.9	6.5
(3) Local-currency deposits owned by non-residents of the Cayman Islands in	1975	-	-	-	-	-
	1976	-	-	-	-	-
	1977	-	-	-	-	-
	1978	-	-	-	-	-
(4) All international deposits owned through the Cayman Islands in	1975	0.2	1.3	1.1	0.2	1.5
	1976	0.4	2.8	2.2	0.6	3.2
	1977	0.5	4.7	3.5	1.2	5.2
	1978	0.5	6.5	5.6	0.9	7.0

Addendum items:

International assets of banks in the Cayman Islands in 1975 and 1978 amounted to $4.3 and $20.7 billion respectively.

International liabilities of banks in the Cayman Islands to other banks in 1975 and 1978 amounted to $6.4 and $19.8 billion respectively.

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[1] Local-currency deposits of local residents are excluded as irrelevant to measures of tax haven funds.

Sources: Cayman Islands, *Report for the Year 1978*; Federal Reserve Board *Bulletin*, *Statistical Release E.11*, and unpublished data; Bank for International Settlements, *International Banking Developments*, *Annual Reports*; Bank of England *Quarterly Bulletin*; Swiss National Bank *Das Schweizerische Bankwesen*. Federal Reserve Board, Unpublished tabulations.

International Deposits Owned in the Netherlands Antilles
(In Billion Dollars)

		(1)	(2)	(3)	(4)	(5)
			In Banks Located in the Netherlands Antilles			
Deposit Assets of Persons Other than Banks (Non-banks)[1]		In Banks Outside of the Netherlands Antilles	All Banks	Branches and Subsidiaries of U.S. Banks	Non-U.S. Banks (2)-(3)	In All Banks (1)+(2)
(1) Foreign-currency deposits owned by residents of the Netherlands Antilles in	1975	1.0	-	-	-	1.0
	1976	1.5	-	-	-	1.5
	1977	1.6	-	-	-	1.6
	1978	2.7	-	-	-	2.7
(2) Foreign-currency deposits owned by non-residents of the Netherlands Antilles in	1975	-	0.3	0.1	0.2	0.3
	1976	-	0.4	*	0.4	0.4
	1977	-	0.8	-	0.8	0.8
	1978	-	1.1	-	1.1	1.1
(3) Local-currency deposits owned by non-residents of the Netherlands Antilles in	1975	-	-	-	-	-
	1976	-	-	-	-	-
	1977	-	-	-	-	-
	1978	-	-	-	-	-
(4) All international deposits owned through the Netherlands Antilles in	1975	1.0	0.3	0.1	0.2	1.3
	1976	1.5	0.4	*	0.4	1.9
	1977	1.6	0.8	-	0.8	2.4
	1978	2.7	1.1	-	1.1	3.8

Addendum items:

International assets of banks in the Netherlands Antilles in 1975 and 1978 amounted to $0.3 and $0.9 bilion respectively. International liabilities of banks in the Netherlands Antilles to other banks in 1975 and 1978 amounted to $0.6 and $2.0 billion respectively.

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[1] Local-currency deposits of local residents are excluded as irrelevant to measures of tax haven funds.

* Indicates less than $50 million.

Sources: Netherlands Bank, Quarterly Statistics, Report for the Year 1978; Bank for International Settlements, Annual Report; Federal Reserve Board, Unpublished tabulations.

International Deposits Owned in Panama
(In Billion Dollars)

		(1)	(2)	(3)	(4)	(5)
			In Banks Located in Panama			
Deposit Assets of Persons Other than Banks (Non-banks)[1]		In Banks Outside of Panama	All Banks	Branches and Subsidiaries of U.S. Banks	Non-U.S. Banks (2)-(3)	In All Banks (1)+(2)
(1) Foreign-currency deposits owned by residents of Panama in	1975	2.0	-	-	-	2.0
	1976	1.4	-	-	-	1.4
	1977	1.8	-	-	-	1.8
	1978	2.8	-	-	-	2.8
(2) Foreign-currency deposits owned by non-residents of Panama in	1975	-	0.7	0.5	0.2	0.7
	1976	-	0.9	0.6	0.3	0.9
	1977	-	1.0	0.8	0.2	1.0
	1978	-	1.2	0.9	0.3	1.2
(3) Local-currency deposits owned by non-residents of Panama in	1975	-	-	-	-	-
	1976	-	-	-	-	-
	1977	-	-	-	-	-
	1978	-	-	-	-	-
(4) All international deposits owned through Panama in	1975	2.0	0.7	0.5	0.2	2.7
	1976	1.4	0.9	0.6	0.3	2.3
	1977	1.8	1.0	0.8	0.2	2.8
	1978	2.8	1.2	0.9	0.3	4.0

Addendum items:

International assets of banks in Panama in 1975 and 1978 amounted to $2.8 and $7.4 bilion respectively.

International liabilities of banks in Panama to other banks in 1975 and 1978 amounted to $8.5 and $18.9 billion respectively.

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[1] Local-currency deposits of local residents are excluded as irrelevant to measures of tax haven funds.

Sources: Comision Bancaria Nactional, Boletin Estadistics; Bank for International Settlements, Annual Report; Federal Reserve Board, Unpublished tabulations.

International Deposits Owned in the Western Hemisphere Tax Havens
(In Billion Dollars)

		(1)	(2)	(3)	(4)	(5)
			In Local Banks Resident in Western Hemisphere Tax Havens			
Deposit Assets of Persons Other than Banks (Non-Banks)[1]		In Banks Outside of Local Western Hemisphere Tax Havens	All Banks	Branches and Subsidiaries of U.S. Banks	Non-U.S. Banks (2)-(3)	In all Banks (1)+(2)
(1) Foreign-currency deposits owned by residents of the Western Hemisphere tax havens in	1975	5.5	0.5	-	0.5	6.0
	1976	6.3	0.5	-	0.5	6.8
	1977	7.5	0.5	-	0.5	8.0
	1978	11.0	0.5	-	0.5	11.5
(2) Foreign-currency deposits owned by non-residents of the Western Hemisphere tax havens in	1975	-	13.4	9.7	3.7	13.4
	1976	-	18.2	13.5	4.7	18.2
	1977	-	27.7	18.4	9.3	27.7
	1978	-	31.0	25.9	5.1	31.0
(3) Local-currency deposits owned by non-residents of the Western Hemisphere tax havens in	1975	-	-	-	-	-
	1976	-	-	-	-	-
	1977	-	-	-	-	-
	1978	-	-	-	-	-
(4) All international deposits owned through the Western Hemisphere tax havens in	1975	5.5	13.9	9.7	4.2	19.4
	1976	6.3	18.7	13.5	5.2	25.0
	1977	7.5	28.2	18.4	9.8	35.7
	1978	11.0	31.5	25.9	5.6	42.5

Addendum items:

International assets of banks in the Western Hemisphere Tax Havens in 1975 and 1978 amounted to 42.1 and 105.9 billion respectively. International liabilities of banks in The Western Hemisphere Tax Havens to other banks in 1975 and 1978 amounted to 64.2 and 128.3 billion respectively.

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[1] Local-currency deposits of local residents are excluded as irrelevant to measures of tax haven funds.

Sources: See the sources cited for the component tax haven areas.

International Deposits Owned in Bahrain
(In Billion Dollars)

Deposit Assets of Persons Other than Banks (Non-banks)[1]		(1)	(2)	(3)	(4)	(5)
			In Banks Located in Bahrain			
		In Banks Outside of Bahrain	All Banks	Branches and Subsidiaries of U.S. Banks	Non-U.S. Banks (2)-(3)	In All Banks (1)+(2)
(1) Foreign-currency deposits owned by residents of Bahrain in	1975	-	0.1	0.0	0.1	0.1
	1976	-	0.2	0.1	0.1	0.2
	1977	-	0.2	0.1	0.1	0.2
	1978	-	0.2	0.1	0.1	0.2
(2) Foreign-currency deposits owned by non-residents of Bahrain in	1975	-	-	-	-	-
	1976	-	0.6	0.1	0.5	0.6
	1977	-	3.5	0.3	3.2	3.5
	1978	-	4.8	0.7	4.1	4.8
(3) Local-currency deposits owned by non-residents of Bahrain in	1975	-	-	-	-	-
	1976	-	-	-	-	-
	1977	-	-	-	-	-
	1978	-	-	-	-	-
(4) All international deposits owned through Bahrain in	1975	-	0.1	0.0	0.1	0.1
	1976	-	0.8	0.2	0.6	0.8
	1977	-	3.7	0.4	3.3	3.7
	1978	-	5.0	0.8	4.2	5.0

Addendum items:

International assets of banks in Bahrain in 1975 and 1978 amounted to $1.5 and $17.7 billion respectively.

International liabilities of banks in Bahrain to other banks in 1975 and 1978 amounted to $2.1 and $18.9 billion respectively.

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[1] Local-currency deposits of local residents are excluded as irrelevant to measures of tax haven funds.

Sources: Bahrain Monetary Authority *Quarterly Statistical Bulletin*; Federal Reserve Board, Unpublished tabulations.

International Deposits Owned in Hong Kong
(In Billion Dollars)

Deposit Assets of Persons Other than Banks (Non-banks)[1]		(1) In Banks Outside of Hong Kong	(2) In Banks Located in Hong Kong: All Banks	(3) In Banks Located in Hong Kong: Branches and Subsidiaries of U.S. Banks	(4) In Banks Located in Hong Kong: Non-U.S. Banks (2)-(3)	(5) In All Banks (1)+(2)
(1) Foreign-currency deposits owned by residents of Hong Kong in	1975	0.8	0.1	-	0.1	0.9
	1976	0.8	0.2	0.1	0.1	1.0
	1977	0.9	0.3	0.2	0.1	1.2
	1978	1.1	0.4	0.3	0.1	1.5
(2) Foreign-currency deposits owned by non-residents of Hong Kong in	1975	-	0.4	0.4	-	0.4
	1976	-	0.4	0.4	-	0.4
	1977	-	0.4	0.4	-	0.4
	1978	-	0.5	0.5	-	0.5
(3) Local-currency deposits owned by non-residents of Hong Kong in	1975	-	-	-	-	-
	1976	-	-	-	-	-
	1977	-	-	-	-	-
	1978	-	-	-	-	-
(4) All international deposits owned through Hong Kong in	1975	0.8	0.5	0.4	0.1	1.3
	1976	0.8	0.6	0.5	0.1	1.4
	1977	0.9	0.7	0.6	0.1	1.6
	1978	1.1	0.9	0.8	0.1	2.0

Addendum items:

International assets of banks in Hong Kong in 1975 and 1978 amounted to $4.7 and $13.9 billion respectively.

International liabilities of banks in Hong Kong to other banks in 1975 and 1978 amounted to $6.7 and $21.5 billion respectively.

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[1] Local-currency deposits of local residents are excluded as irrelevant to measures of tax haven funds.

Sources: Commissioner of Banking; *Hong Kong Monthly Digest of Statistics*, Bank of England *Quarterly Bulletin*; Federal Reserve Board, Unpublished tabulations.

International Deposits Owned in Luxembourg
(In Billion Dollars)

Deposit Assets of Persons Other than Banks (Non-banks)[1]		(1) In Banks Outside of Luxembourg	(2) In Banks Located in Luxembourg: All Banks	(3) In Banks Located in Luxembourg: Branches and Subsidiaries of U.S. Banks	(4) In Banks Located in Luxembourg: Non-U.S. Banks (2)-(3)	(5) In All Banks (1)+(2)
(1) Foreign-currency deposits owned by residents of Luxembourg in	1975	n.a.[2]	-	-	-	n.a.[2]
	1976	n.a.[2]	-	-	-	n.a.[2]
	1977	n.a.[2]	-	-	-	n.a.[2]
	1978	n.a.[2]	-	-	-	n.a.[2]
(2) Foreign-currency deposits owned by non-residents of Luxembourg in	1975	-	4.7	0.7	4.0	4.7
	1976	-	5.6	0.5	5.1	5.6
	1977	-	7.3	0.4	6.9	7.3
	1978	-	9.9	0.4	9.5	9.9
(3) Local-currency deposits owned by non-residents of Luxembourg in	1975	-	1.9	-	1.9	1.9
	1976	-	2.3	-	2.3	2.3
	1977	-	2.6	-	2.6	2.6
	1978	-	3.3	-	3.3	3.3
(4) All international deposits owned through Luxembourg in	1975	n.a.	6.6	0.7	5.9	6.6[2]
	1976	n.a.	7.9	0.5	7.4	7.9[2]
	1977	n.a.	9.9	0.4	9.5	9.9[2]
	1978	n.a.	13.2	0.4	12.8	13.2[2]

Addendum items:

International assets of banks in Luxembourg in 1975 and 1978 amounted to $17.9 and $42.2 billion respectively. International liabilities of banks in Luxembourg to other banks in 1975 and 1978 amounted to $24.8 and $62.7 billion respectively.

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[1] Local-currency deposits of local residents are excluded as irrelevant to measures of tax haven funds.

[2] Because estimates of deposits in banks outside of Luxembourg were not available (separated from Belgian accounts), total deposits in all banks are understated.

Sources: Commissariat au Controle des Banques, Bulletin Trimestriel, 1945-1975; Federal Reserve Board, unpublished tabulations.

International Deposits Owned in Singapore
(In Billion Dollars)

Deposit Assets of Persons Other than Banks (Non-banks)[1]		(1) In Banks Outside of Singapore	(2) In Banks Located in Singapore: All Banks	(3) In Banks Located in Singapore: Branches and Subsidiaries of U.S. Banks	(4) In Banks Located in Singapore: Non-U.S. Banks (2)-(3)	(5) In All Banks (1)+(2)
(1) Foreign-currency deposits owned by residents of Singapore in	1975	0.1	0.4	0.2	0.2	0.5
	1976	0.1	0.5	0.2	0.3	0.6
	1977	0.1	0.8	0.4	0.4	0.9
	1978	0.2	0.8	0.4	0.4	1.0
(2) Foreign-currency deposits owned by non-residents of Singapore in	1975	-	1.7	0.9	0.8	1.7
	1976	-	1.5	1.1	0.4	1.5
	1977	-	1.5	1.3	0.2	1.5
	1978	-	2.8	1.8	1.0	2.8
(3) Local-currency deposits owned by non-residents of Singapore in	1975	-	*	*	*	*
	1976	-	*	*	*	*
	1977	-	*	*	*	*
	1978	-	*	*	*	*
(4) All international deposits owned through Singapore in	1975	0.1	2.1	1.1	1.0	2.2
	1976	0.1	2.0	1.3	0.7	2.1
	1977	0.1	2.3	1.7	0.6	2.4
	1978	0.2	3.6	2.2	1.4	3.8

Addendum items:

International assets of banks in Singapore in 1975 and 1978 amounted to $10.3 and $21.9 billion respectively.

International liabilities of banks in Singapore to other banks in 1975 and 1978 amounted to $11.4 and $25.8 billion respectively.

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* Indicates less than $50 million.

[1] Local-currency deposits of local residents are excluded as irrelevant to measures of tax haven funds.

Sources: Monetary Authority of Singapore, Quarterly Bulletin; Bank of England Quarterly Bulletin; Federal Reserve Board, Unpublished tabulations.

International Deposits Owned in Switzerland
(In Billion Dollars)

Deposit Assets of Persons Other than Banks (Non-banks)[1]		(1) In Banks Outside of Switzerland	(2) In Banks Located in Switzerland: All Banks	(3) In Banks Located in Switzerland: Branches and Subsidiaries of U.S. Banks	(4) In Banks Located in Switzerland: Non-U.S. Banks (2)-(3)	(5) In All Banks (1)+(2)
(1) Foreign-currency deposits owned by residents of Switerzland in	1975	7.5	2.6	0.3	2.3	10.1
	1976	6.0	2.9	0.3	2.6	8.9
	1977	11.0	3.3	0.3	3.0	14.3
	1978	17.3	4.7	0.4	4.3	22.0
(2) Foreign-currency deposits owned by non-residents of Switzerland in	1975	-	10.1	-	10.1	10.1
	1976	-	11.2	-	11.2	11.2
	1977	-	14.2	-	14.2	14.2
	1978	-	18.9	-	18.9	18.9
(3) Local-currency deposits owned by non-residents of Switzerland in	1975	-	5.9	-	5.9	5.9
	1976	-	6.6	-	6.6	6.6
	1977	-	8.2	-	8.2	8.2
	1978	-	10.9	-	10.9	10.9
(4) All international deposits owned through Switzerland in	1975	7.5	18.6	0.3	18.3	26.1
	1976	6.0	20.7	0.3	20.4	26.7
	1977	11.0	25.7	0.3	25.4	36.7
	1978	17.3	34.5	0.4	34.1	51.8

Addendum items:

International assets of banks in Switzerland in 1975 and 1978 amounted to \$30.8 and \$54.7 billion respectively.

International liabilities of banks in Switzerland to other banks in 1975 and 1978 amounted to \$19.8 and \$39.4 billion respectively.

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[1] Local-currency deposits of local residents are excluded as irrelevant to measures of tax haven funds.

Sources: Swiss National Bank, *Das Schweizerische Bankwesen*; Bank for International Settlements, *Annual Report*; Federal Reserve Board, Unpublished tabulations.

International Deposits Owned in the Tax Havens Outside the Western Hemisphere
(In Billion Dollars)

Deposit Assets of Persons Other than Banks (Non-Banks)[1]		(1)	(2)	(3)	(4)	(5)
		In Banks Outside of Local Western Hemisphere Tax-Havens	In Local Banks Resident in Tax Havens Outside the Western Hemisphere			
			All Banks	Branches and Subsidiaries of U.S. Banks	Non-U.S. Banks (2)-(3)	In All Banks (1)+(2)
(1) Foreign-currency deposits owned by residents of Tax Havens Outside the Western Hemisphere in	1975	8.4	3.2	0.5	2.7	11.6
	1976	6.9	3.8	0.7	3.1	10.7
	1977	12.0	4.6	1.0	3.6	16.6
	1978	18.6	6.1	1.2	4.9	24.7
(2) Foreign-currency deposits owned by non-residents of Tax Havens Outside the Western Hemisphere in	1975	-	16.9	2.0	14.9	16.9
	1976	-	19.3	2.2	17.1	19.3
	1977	-	26.9	2.4	24.5	26.9
	1978	-	36.9	3.4	33.5	36.9
(3) Local-currency deposits owned by non-residents of Tax Havens Outside the Western Hemisphere in	1975	-	7.8	*	7.8	7.8
	1976	-	8.9	*	8.9	8.9
	1977	-	10.8	*	10.8	10.8
	1978	-	14.2	*	14.2	14.2
(4) All international deposits owned through the Tax Havens Outside the Western Hemishpere in	1975	8.4	27.9	2.5	25.4	36.3
	1976	6.9	32.0	2.9	29.1	38.9
	1977	12.0	42.3	3.4	38.9	54.3
	1978	18.6	57.2	4.6	52.6	75.8

Addendum items:

International assets of banks in tax havens outside the Western Hemisphere in 1975 and 1978 amounted to $63.3 and $143.9 billion respectively.

International liabilities of banks in tax havens outside the Western Hemisphere to other banks in 1975 and and 1978 amounted to $66.6 and $165.6 billion respectively.

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*Indicates less than $50 million.

[1] Local-currency deposits of local residents are excluded as irrelevant to measures of tax haven funds.

Sources: See the sources cited for the component tax haven areas.

International Deposits Owned in All Tax Haven Areas
(In Billion Dollars)

Deposit Assets of Persons Other than Banks (Non-Banks)[1]		(1) In Banks Outside of Local Tax-Haven Areas	(2) In Local Banks Resident in All Tax Haven Areas: All Banks	(3) In Local Banks Resident in All Tax Haven Areas: Branches and Subsidiaries of U.S. Banks	(4) In Local Banks Resident in All Tax Haven Areas: Non-U.S. Banks (2)-(3)	(5) In All Banks (1)+(2)
(1) Foreign-currency deposits owned by residents of all tax haven areas in	1975	13.9	3.7	0.5	3.2	17.6
	1976	13.2	4.3	0.7	3.6	17.5
	1977	19.5	5.1	0.9	4.2	24.6
	1978	29.6	6.6	1.1	5.5	36.2
(2) Foreign-currency deposits owned by non-residents of all tax haven areas in	1975	-	30.3	11.7	18.6	30.3
	1976	-	37.5	15.8	21.7	37.5
	1977	-	54.6	20.9	33.7	54.6
	1978	-	67.9	29.4	38.5	67.9
(3) Local-currency deposits owned by non-residents of all tax haven areas in	1975	-	7.8	*	7.8	7.8
	1976	-	8.9	*	8.9	8.9
	1977	-	10.8	*	10.8	10.8
	1978	-	14.2	*	14.2	14.2
(4) All international deposits owned through all the tax haven areas in	1975	13.9	41.8	12.2	29.6	55.7
	1976	13.2	50.7	16.5	34.2	63.9
	1977	19.5	70.5	21.8	48.7	90.0
	1978	29.6	88.7	30.5	58.2	188.3

Addendum items:

International assets of banks in all the tax haven areas in 1975 and 1978 amounted to \$105.4 and \$249.8 billion respectively.

International liabilities of banks in all the tax haven areas to other banks in 1975 and 1978 amounted to \$103.8 and \$293.9 billion respectively.

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*Indicates less than \$50 million.

[1] Local-currency deposits of local residents are excluded as irrelevant to measures of tax haven funds.

Sources: See the sources cited for the component tax haven areas.

APPENDIX D

The Commerce Department Estimates of U.S. Direct Investments in Tax Haven and Other Areas

Funds Related to U.S. Direct Investments Overseas, 1968-78

(In Million Dollars)

	1968	1970	1972	1974	1976	1978
Bahamas						
Earnings of U.S.-controlled foreign business enterprises	44	35	76	160	679	746
Inflows of interest and dividend payments to U.S. owners and remitted earnings of unincorporated affiliates (including branches of U.S. corporations)	11	3	48	199	663	685
Reinvested earnings of incorporated affiliates (subsidiaries)	35	34	32	-33	32	86
Outflows of U.S. equity and debt capital (including trade credit)	71	11	47	167	250	470
Levels of investment in U.S.-controlled foreign business enterprises	377	408	531	766	1,049	1,792

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Selected Data on U.S. Direct Investment Abroad, 1966-78. Washington: U.S. Government Printing Office.

Funds Related to U.S. Direct Investments Overseas, 1968-78

(In Million Dollars)

	1968	1970	1972	1974	1976	1978
Bermuda						
Earnings of U.S.-controlled foreign business enterprises	25	37	89	332	556	959
Inflows of interest and dividend payments to U.S. owners and remitted earnings of unincorporated affiliates (including branches of U.S. corporations)	D	D	6	249	D	597
Reinvested earnings of incorporated affiliates (subsidiaries)	10	12	84	83	322	366
Outflows of U.S. equity and debt capital (including trade credit)	-3	28	-3	1,735	549	D
Levels of investment in U.S.-controlled foreign business enterprises	195	242	364	2,286	3,869	7,191

D stands for disclosure restriction on the data to prevent identification of data on individual companies.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Selected Data on U.S. Direct Investment Abroad, 1966-78. Washington: U.S. Government Printing Office.

Funds Related to U.S. Direct Investments Overseas, 1968-78

(In Million Dollars)

	1968	1970	1972	1974	1976	1978
British Islands [1/]						
Earnings of U.S.-controlled foreign business enterprises	*	1	-2	16	97	161
Inflows of interest and dividend payments to U.S. owners and remitted earnings of unincorporated affiliates (including branches of U.S. corporations)	*	*	-1	17	92	154
Reinvested earnings of incorporated affiliates (subsidiaries)	*	1	-1	4	7	7
Outflows of U.S. equity and debt capital (including trade credit)	6	D	9	127	-93	D
Levels of investment in U.S.-controlled foreign business enterprises	20	D	D	D	D	197

[1/] The British Islands consist of British Antilles, British Virgin Islands, Cayman Islands, Monteserrat, Anguila, Nevis, St. Christopher (also known as St. Kitts), Antigua, Dominica, St. Lucia and St. Vincent.

D stands for disclosure restriction on the data to prevent identification of data on individual companies.

*Indicates less than $0.05 billion.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, unpublished tabulations.

Funds Related to U.S. Direct Investments Overseas, 1968-78

(In Million Dollars)

	1968	1970	1972	1974	1976	1978
Costa Rica						
Earnings of U.S.-controlled foreign business enterprises	9	12	12	40	13	-7
Inflows of interest and dividend payments to U.S. owners and remitted earnings of unincorporated affiliates (including branches of U.S. corporations)	12	10	9	34	5	-15
Reinvested earnings of incorporated affiliates (subsidiaries)	-1	2	3	7	9	8
Outflows of U.S. equity and debt capital (including trade credit)	-5	2	19	23	-75	12
Levels of investment in U.S.-controlled foreign business enterprises	99	103	146	161	103	143

Source: U.S. Department of Commerce, Bureau of Economic Analysis, unpublished tabulations.

Funds Related to U.S. Direct Investments Overseas, 1968-78

(In Million Dollars)

	1968	1970	1972	1974	1976	1978
Netherlands Antilles						
Earnings of U.S.-controlled foreign business enterprises	8	21	17	18	22	100
Inflows of interest and dividend payments to U.S. owners and remitted earnings of unincorporated affiliates (including branches of U.S. corporations)	20	28	D	D	D	63
Reinvested earnings of incorporated affiliates (subsidiaries)	-11	D	-8	9	2	20
Outflows of U.S. equity and debt capital (including trade credit)	58	D	120	-134	-9	30
Levels of investment in U.S.-controlled foreign business enterprises	155	202	349	253	191	378

D stands for disclosure restriction on the data to prevent identification of data on individual companies.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, unpublished tabulations.

Funds Related to U.S. Direct Investments Overseas, 1968-78

(In Million Dollars)

	1968	1970	1972	1974	1976	1978
Panama						
Earnings of U.S.-controlled foreign business enterprises	86	80	152	338	225	258
Inflows of interest and dividend payments to U.S. owners and remitted earnings of unincorporated affiliates (including branches of U.S. corporations)	55	51	92	155	110	74
Reinvested earnings of incorporated affiliates (subsidiaries)	39	42	72	191	116	197
Outflows of U.S. equity and debt capital (including trade credit)	63	97	-87	-136	-67	-84
Levels of investment in U.S.-controlled foreign business enterprises	971	1,190	1,352	1,604	1,961	2,385

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Selected Data on U.S. Direct Investment Abroad, 1966-78. Washington: U.S. Government Printing Office.

Funds Related to U.S. Direct Investments Overseas, 1968-78

(In Million Dollars)

Tax Havens in the Western Hemisphere [1]	1968	1970	1972	1974	1976	1978
Earnings of U.S.-controlled foreign business enterprises	205	186	344	904	1,592	2,217
Inflows of interest and dividend payments to U.S. owners and remitted earnings of unincorporated affiliates (including branches of U.S. corporations)	121	116	192	702	1,219	1,558
Reinvested earnings of incorporated affiliates (subsidiaries)	72	91	182	261	488	684
Outflows of U.S. equity and debt capital (including trade credit)	190	193	105	1,782	555	1,415
Levels of investment in U.S.-controlled foreign business enterprises	1,817	2,240	2,913	5,316	7,292	12,086

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[1] Composed of the following tax havens: Bahamas, Bermuda, British Islands, Costa Rica, Netherlands Antilles and Panama.

Sources: U.S. Department of Commerce, Bureau of Economic Analysis, unpublished tabulations and *Selected Data on U.S. Direct Investment Abroad, 1966-78*. Washington: U.S. Government Printing Office. In adding statistics relating to individual tax haven areas where there were restrictions on the data to prevent identification of data on individual companies, IRS staff estimates were sometimes needed.

Funds Related to U.S. Direct Investments Overseas, 1968-78

(In Million Dollars)

	1968	1970	1972	1974	1976	1978
Bahrain						
Earnings of U.S.-controlled foreign business enterprises	D	D	D	22	70	113
Inflows of interest and dividend payments to U.S. owners and remitted earnings of unincorporated affiliates (including branches of U.S. corporations)	D	D	D	53	D	D
Reinvested earnings of incorporated affiliates (subsidiaries)	D	-35	-37	-39	D	28
Outflows of U.S. equity and debt capital (including trade credit)	D	D	D	D	D	3
Levels of investment in U.S.-controlled foreign business enterprises	D	D	D	D	D	D

D stands for disclosure restriction on the data to prevent identification of data on individual companies.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, unpublished tabulations.

Funds Related to U.S. Direct Investments Overseas, 1968-78

(In Million Dollars)

	1968	1970	1972	1974	1976	1978
Hong Kong						
Earnings of U.S.-controlled foreign business enterprises	31	58	85	269	313	437
Inflows of interest and dividend payments to U.S. owners and remitted earnings of unincorporated affiliates (including branches of U.S. corporations)	22	38	63	177	134	244
Reinvested earnings of incorporated affiliates (subsidiaries)	9	20	25	93	184	193
Outflows of U.S. equity and debt capital (including trade credit)	4	4	109	187	71	-22
Levels of investment in U.S.-controlled foreign business enterprises	187	248	501	867	1,170	1,607

Source: U.S. Department of Commerce, Bureau of Economic Analysis, unpublished tabulations.

Funds Related to U.S. Direct Investments Overseas, 1968-78

(In Million Dollars)

	1968	1970	1972	1974	1976	1978
Liberia						
Earnings of U.S.-controlled foreign business enterprises	21	15	7	47	45	24
Inflows of interest and dividend payments to U.S. owners and remitted earnings of unincorporated affiliates (including branches of U.S. corporations)	17	23	11	28	28	12
Reinvested earnings of incorporated affiliates (subsidiaries)	6	-8	-2	20	18	15
Outflows of U.S. equity and debt capital (including trade credit)	5	20	14	33	-28	-1
Levels of investment in U.S.-controlled foreign business enterprises	137	147	164	259	324	340

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Selected Data on U.S. Direct Investment Abroad, 1966-78. Washington: U.S. Government Printing Office.

Funds Related to U.S. Direct Investments Overseas, 1968-78

(In Million Dollars)

	1968	1970	1972	1974	1976	1978
Liechtenstein						
Earnings of U.S.-controlled foreign business enterprises	10	9	11	D	D	15
Inflows of interest and dividend payments to U.S. owners and remitted earnings of unincorporated affiliates (including branches of U.S. corporations)	D	4	D	D	D	6
Reinvested earnings of incorporated affiliates (subsidiaries)	3	5	6	D	D	9
Outflows of U.S. equity and debt capital (including trade credit)	D	D	D	D	D	1
Levels of investment in U.S.-controlled foreign business enterprises	D	D	144	151	179	245

D stands for disclosure restriction on the data to prevent identification of data on individual companies.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, unpublished tabulations.

Funds Related to U.S. Direct Investments Overseas, 1968-78

(In Million Dollars)

	1968	1970	1972	1974	1976	1978
Luxembourg						
Earnings of U.S.-controlled foreign business enterprises	6	28	31	106	78	93
Inflows of interest and dividend payments to U.S. owners and remitted earnings of unincorporated affiliates (including branches of U.S. corporations)	1	8	17	103	12	10
Reinvested earnings of incorporated affiliates (subsidiaries)	5	21	15	-18	63	85
Outflows of U.S. equity and debt capital (including trade credit)	-27	14	-7	26	-13	-134
Levels of investment in U.S.-controlled foreign business enterprises	157	256	320	320	515	542

Source: U.S. Department of Commerce, Bureau of Economic Analysis, unpublished tabulations.

Funds Related to U.S. Direct Investments Overseas, 1968-78

(In Million Dollars)

	1968	1970	1972	1974	1976	1978
Singapore						
Earnings of U.S.-controlled foreign business enterprises	3	11	34	121	110	164
Inflows of interest and dividend payments to U.S. owners and remitted earnings of unincorporated affiliates (including branches of U.S. corporations)	2	5	11	58	79	89
Reinvested earnings of incorporated affiliates (subsidiaries)	1	6	23	63	30	73
Outflows of U.S. equity and debt capital (including trade credit)	13	23	36	27	-54	41
Levels of investment in U.S.-controlled foreign business enterprises	46	97	181	361	462	729

Source: U.S. Department of Commerce, Bureau of Economic Analysis, unpublished tabulations.

Funds Related to U.S. Direct Investments Overseas, 1968-78

(In Million Dollars)

	1968	1970	1972	1974	1976	1978
Switzerland						
Earnings of U.S.-controlled foreign business enterprises	184	332	472	1,058	888	1,291
Inflows of interest and dividend payments to U.S. owners and remitted earnings of unincorporated affiliates (including branches of U.S. corporations)	65	113	232	528	369	451
Reinvested earnings of incorporated affiliates (subsidiaries)	123	221	235	500	505	829
Outflows of U.S. equity and debt capital (including trade credit)	9	29	-78	388	98	368
Levels of investment in U.S.-controlled foreign business enterprises	2,159	2,631	3,006	4,679	5,762	7,373

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Selected Data on U.S. Direct Investment Abroad, 1966-78. Washington: U.S. Government Printing Office.

Funds Related to U.S. Direct Investments Overseas, 1968-78

(In Million Dollars)

	1968	1970	1972	1974	1976	1978
Tax Havens Outside of the Western Hemisphere [1]						
Earnings of U.S.-controlled foreign business enterprises	264	471	668	1,639	1,524	2,137
Inflows of interest and dividend payments to U.S. owners and remitted earnings of unincorporated affiliates (including branches of U.S. corporations)	140	244	404	951	697	897
Reinvested earnings of incorporated affiliates (subsidiaries)	130	230	265	631	815	1,232
Outflows of U.S. equity and debt capital (including trade credit)	12	90	80	656	72	256
Levels of investment in U.S.-controlled foreign business enterprises	2,880	3,589	4,416	6,737	8,512	10,936

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[1] Composed of the following tax havens: Bahrain, Hong Kong, Liberia, Liechtenstein, Luxembourg, Singapore and Switzerland.

Sources: U.S. Department of Commerce, Bureau of Economic Analysis, unpublished tabulations and Selected Data on U.S. Direct Investment Abroad, 1966-78. Washington: U.S. Government Printing Office. In adding statistics relating to individual tax haven areas where there were restrictions on the data to prevent identification of data on individual companies, IRS staff estimates were sometimes needed.

Funds Related to U.S. Direct Investments Overseas, 1968-78

(In Million Dollars)

	1968	1970	1972	1974	1976	1978
All Tax Haven Areas						
Earnings of U.S.-controlled foreign business enterprises	469	657	1,012	2,543	3,116	4,354
Inflows of interest and dividend payments to U.S. owners and remitted earnings of unincorporated affiliates (including branches of U.S. corporations)	261	360	596	1,653	1,916	2,455
Reinvested earnings of incorporated affiliates (subsidiaries)	202	321	447	892	1,303	1,916
Outflows of U.S. equity and debt capital (including trade credit)	202	283	185	2,438	627	1,671
Levels of investment in U.S.-controlled foreign business enterprises	4,697	5,829	7,329	12,053	15,804	23,022

Sources: U.S. Department of Commerce, Bureau of Economic Analysis, unpublished tabulations and *Selected Data on U.S. Direct Investment Abroad, 1966-78*. Washington: U.S. Government Printing Office. In adding statistics relating to individual tax haven areas where there were restrictions on the data to prevent identification of data on individual companies, IRS staff estimates were sometimes needed.

Funds Related to U.S. Direct Investments Overseas, 1968-78

(In Million Dollars)

	1968	1970	1972	1974	1976	1978
All Nontax Haven Areas						
Earnings of U.S.-controlled foreign business enterprises	6,017	7,366	9,788	16,599	15,912	21,280
Inflows of interest and dividend payments to U.S. owners and remitted earnings of unincorporated affiliates (including branches of U.S. corporations)	3,891	4,632	5,820	9,726	9,387	11,138
Reinvested earnings of incorporated affiliates (subsidiaries)	2,238	2,855	4,085	6,885	6,393	10,147
Outflows of U.S. equity and debt capital (including trade credit)	2,653	4,130	3,029	-1,163	3,626	2,935
Levels of investment in U.S.-controlled foreign business enterprises	57,210	69,651	82,549	98,025	121,005	145,059

Sources: U.S. Department of Commerce, Bureau of Economic Analysis, unpublished tabulations and Selected Data on U.S. Direct Investment Abroad, 1966-78. Washington: U.S. Government Printing Office.

Funds Related to U.S. Direct Investments Overseas, 1968-78

(In Million Dollars)

	1968	1970	1972	1974	1976	1978
All Areas						
Earnings of U.S.-controlled foreign business enterprises	6,486	8,023	10,800	19,142	19,028	25,634
Inflows of interest and dividend payments to U.S. owners and remitted earnings of unincorporated affiliates (including branches of U.S. corporations)	4,152	4,992	6,416	11,379	11,303	13,593
Reinvested earnings of incorporated affiliates (subsidiaries)	2,440	3,176	4,532	7,777	7,696	12,063
Outflows of U.S. equity and debt capital (including trade credit)	2,855	4,413	3,214	1,275	4,253	4,606
Levels of investment in U.S.-controlled foreign business enterprises	61,907	75,480	89,878	110,078	136,809	168,081

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Selected Data on U.S. Direct Investment Abroad, 1966-78. Washington: U.S. Government Printing Office.

APPENDIX E
Statistics from Forms 1042S on Nonresident Alien Income

Table 1	U.S. Gross Income Paid to Nonresident Aliens and Foreign Corporations in Tax Havens and Other Jurisdictions Within and Without the U.S. Treaty Network, by Type of Income, 1978
Table 2	U.S. Gross Income Paid to Nonresident Aliens and Foreign Corporations in Tax Haven Areas Within and Without the U.S. Treaty Network, 1975-1978
Table 3	U.S. Gross Income Paid to Nonresident Aliens and Foreign Corporations in Individual Tax Haven Areas Within and Without the U.S. Treaty Network, 1975-1978
Table 4	U.S. Gross Income Paid to Nonresident Aliens and Foreign Corporations in Individual Tax Haven Areas Within and Without the U.S. Treaty Network, by Type of Recipient, 1978
Table 5	U.S. Gross Income Paid to Nonresident Aliens and Foreign Corporations in Tax Haven Areas Within and Without the U.S. Treaty Network, by Type of Income, 1975-1978
Table 6	Percent Change in U.S. Gross Income Paid to Nonresident Aliens and Foreign Corporations in Tax Haven Areas Within and Without the U.S. Treaty Network, by Type of Income, 1975-1978
Table 7	U.S. Gross Income Paid to Nonresident Aliens and Foreign Corporations in Individual Tax Haven Areas Within and Without the U.S. Treaty Network, by Type of Income, 1975-1978
Table 8	Types of Royalty Income Paid to Nonresident Aliens and Foreign Corporations in Six Tax Haven Areas Receiving the Largest Royalty Payments, 1975-1978
Table 9	U.S. Gross Income Paid to Nonresident Aliens and Foreign Corporations in Tax Haven and Other Areas, 1965, 1975-1978
Table 10	U.S. Gross Income Paid to Nonresident Aliens and Foreign Corporations in Tax Haven and Other Areas by Type of Recipient, 1978

In addition to the list of treaty tax havens used for Tables 3 through 7, the estimates for treaty tax havens in Tables 1 and 2 also include the following minor jurisdictions: Antigua, Belize, Dominica, Falkland Islands, Grenada, Montserrat, St. Lucia, St. Vincent, and

Seychelles. Due to resource limitations, no effort was made to eliminate this small inconsistency involved in the definition of treaty tax havens. The tax havens listed in Tables 9 and 10 which are aggregated on a geographic basis--rather than on whether or not they are included in the U.S. treaty network--are the same as the ones included in Tables 3 through 7.

To recognize the importance of payments made under the Netherlands treaty, this country was included in the treaty tax havens or tax havens shown in all the tables. The estimates prepared for other portions of this study, do not include Netherlands, since this jurisdiction was not considered to be a tax haven except in so far as payments made to nonresident aliens and foreign corporations are concerned.

In Tables 2, 3 and 5 through 9, the data for 1975 through 1977 are not strictly comparable with 1978 since data from approximately one percent of the Forms 1042S were not included in the totals due to processing limitations.

Note: All computations were made using whole numbers.

Table 1

U.S. Gross Income Paid to Nonresident Aliens and Foreign Corporations in Tax Havens and Other Jurisdictions Within and Without the U.S. Treaty Network, by Type of Income, 1978

(In Thousands of Dollars)

	Total Gross Income	Dividends	Interest	Other
All countries, total	4,451,059	2,867,596	990,949	592,514
Treaty countries, total	3,947,926	2,595,741	826,882	525,304
Tax haven treaty countries, total	1,797,378	1,388,314	308,553	100,511
Antigua	2,808	3	2,798	7
Barbados	496	300	121	75
Belize	108	87	1	20
British Virgin Islands	8,195	5,423	1,716	1,056
Dominica	30	15	*	15
Falkland Islands	122	1	-	121
Grenada	2	1	1	-
Luxembourg	21,066	14,195	5,968	904
Montserrat	4	4	-	1
Netherlands	415,266	331,680	35,499	48,087
Netherlands Antilles	190,759	51,207	127,021	12,531
St. Christopher-Nevis-Anguilla	396	392	1	4
St. Lucia	7	6	-	*
St. Vincent	1	1	-	*
Seychelles	10	9	1	*
Switzerland	1,158,108	984,991	135,426	37,690
Nontax haven treaty countries, total	2,150,548	1,207,427	518,329	424,793
Australia[1/]	28,431	6,011	1,265	21,155
Austria	7,358	4,542	1,437	1,380
Belgium	105,421	54,408	37,868	13,146
Burundi	31	2	20	9
Canada	591,695	282,727	187,426	121,542
Denmark	4,678	2,289	308	2,080
Finland	949	166	128	654
France[2/]	308,492	213,735	51,520	43,237
Gambia	2	*	-	2
Germany, Federal Republic of	177,536	124,459	18,882	34,196
Greece	5,337	3,167	714	1,455
Iceland	181	94	*	87
Ireland	5,589	4,093	532	964
Italy	42,982	8,631	11,333	23,017
Jamaica	693	83	5	604
Japan	207,410	63,279	97,216	46,915
Malawi	16	16	*	-

[1/] Includes Norfolk Island and Papua New Guinea.

[2/] Includes French Guiana, Guadeloupe, Martinique and Reunion.

Table 1 (cont'd)

U.S. Gross Income Paid to Nonresident Aliens
and Foreign Corporations in Tax Havens and Other Jurisdictions
Within and Without the U.S. Treaty Network, by Type of Income, 1978
(In Thousands of Dollars)

	Total Gross Income	Dividends	Interest	Other
New Zealand[3/]	3,563	1,811	640	1,112
Nigeria	253	80	*	173
Norway	5,398	3,816	480	1,102
Pakistan	673	47	12	614
Poland	883	206	88	589
Romania	130	26	29	75
Rwanda	2	2	*	-
Sierra Leone	20	5	2	13
South Africa	2,627	1,314	392	921
Sweden	28,568	18,696	5,309	4,563
Trinidad and Tobago	209	81	13	115
U.S.S.R.	510	43	63	404
United Kingdom	620,822	413,527	102,643	104,653
Zaire	32	20	*	12
Zambia	57	53	3	2
Nontreaty countries, total	503,133	271,855	164,067	67,211
Tax haven countries	97,475	67,536	15,061	14,879
Non-tax haven countries	405,658	264,319	149,006	52,332

[3/] Includes Cook Islands and Niue.

*Less than $500.

Note: Detail may not add to totals due to rounding.

Source: Statistics Division, Internal Revenue Service, unpublished tabulations on "Nonresident Alien Income and Tax Withheld as Reported on Forms 1042s" for Calendar Year 1978.

Table 2

U.S. Gross Income Paid to Nonresident Aliens
and Foreign Corporations in Tax Haven Areas Within and
Without the U.S. Treaty Network, 1975-1978

(Millions of Dollars)

	1975	1976	1977	1978	Percent Change 1975-1978
All countries, total	$2,599.3	$3,352.8	$3,207.0	$4,451.1	71.2
Treaty countries, total	2,387.5	3,039.5	2,890.4	3,947.9	65.4
Tax havens [1/]	1,054.8	1,219.4	1,210.9	1,797.4	70.4
Other	1,332.7	1,820.2	1,679.5	2,150.5	61.4
Nontreaty countries, total	211.8	313.3	316.6	503.1	137.6
Tax havens [2/]	47.6	37.3	80.2	97.5	104.6
Other	164.1	275.9	236.4	405.7	147.1

[1/] Tax havens with U.S. Tax Treaties cover data from the following countries: Antigua, Barbados, Belize, British Virgin Islands, Dominica, Falkland Islands, Grenada, Luxembourg, Montserrat, Netherlands, Netherlands Antilles, St. Christopher-Nevis, St. Lucia, St. Vincent, Seychelles and Switzerland.

[2/] Tax havens without U.S. Tax Treaties cover data from the following countries: Bahamas, Bermuda, Cayman Islands, Costa Rica, Panama, Bahrain, Hong Kong, Liberia, Liechtenstein and Singapore.

Note: Sum of components may not add to totals due to rounding.

Source: Statistics Division, Internal Revenue Service, unpublished tabulations on "Nonresident Alien Income and tax withheld as reported on Forms 1042S" by calendar year.

Table 3

U.S. Gross Income Paid to Nonresident Aliens and Foreign Corporations in Individual Tax Haven Areas Within and Without the U.S. Treaty Network, 1975-1978

(Millions of Dollars)

	1975	1976	1977	1978	Percent Change 1975-1978	1978 Tax Withheld as a percent of 1978 Gross Income Paid
Treaty tax havens						
Luxembourg	40.4	24.6	18.5	21.1	-47.9	17.5
Netherlands	199.4	350.1	346.1	415.3	108.3	9.9
Netherlands Antilles	212.1	215.9	159.9	190.8	-10.1	6.4
Switzerland	599.6	623.9	673.7	1,158.1	93.2	9.2
Barbados	0.2	2.2	5.1	0.5	186.4	12.3
British Virgin Is.	1.2	1.0	4.1	8.2	560.0	9.4
St. Christopher-Nevis	*	*	*	0.4	1/	15.0
Total	1,052.9	1,217.7	1,207.5	1,794.3	70.4	9.2
Nontreaty tax havens						
Bahamas	9.3	7.1	15.5	15.6	68.0	27.8
Bahrain	0.8	0.5	0.7	1.1	37.6	29.1
Bermuda	9.8	8.5	22.3	21.1	115.9	26.6
Cayman Islands	2.5	1.4	4.8	8.7	252.1	12.8
Costa Rica	0.4	0.1	0.7	0.9	94.1	26.8
Hong Kong	8.6	7.2	13.3	17.4	103.5	28.4
Liberia	0.6	1.2	1.3	1.5	144.2	28.5
Liechtenstein	7.8	5.8	7.4	10.2	31.7	27.8
Panama	7.2	3.6	12.8	18.9	161.1	22.1
Singapore	0.7	1.9	1.5	2.1	195.2	9.8
Total	47.6	37.3	80.2	97.5	104.6	24.8

1/ Percentage not computed because of small base period value.

* Indicates less than $50,000.

Sum of components may not add to totals due to rounding.

Source: Statistics Division, Internal Revenue Service, unpublished tabulations on "Nonresident Alien Income and tax withheld as reported on Forms 1042S" by calendar year.

Table 4

U.S. Gross Income Paid to Nonresident Aliens and Foreign Corporations in Individual Tax Haven Areas Within and Without the U.S. Treaty Network, by Type of Recipient, 1978

(Millions of Dollars)

	Total	Type of Recipient							Corporate as a Percent of Total
		Individual	Corporation	Partnership	Fiduciary	Nominee	Other	Unknown	
Treaty tax havens									
Luxembourg	21.1	1.9	15.5	*	0.2	*	0.8	2.6	73.7
Netherlands	415.3	18.5	274.2	0.4	4.0	6.2	6.7	105.2	66.0
Netherlands Antilles	190.8	4.4	164.0	*	0.4	1.1	3.5	17.3	86.0
Switzerland	1,158.1	54.0	924.5	0.2	10.2	51.6	87.2	30.4	79.8
Barbados	0.5	0.2	0.3	*	-	*	*	*	63.8
British Virgin Islands	8.2	0.2	7.7	-	*	0.1	*	0.1	94.1
St. Christopher-Nevis	0.4	*	0.4	-	-	-	-	*	91.8
Total	1,794.3	79.2	1,386.7	0.7	14.8	59.1	98.2	155.6	77.3
Nontreaty tax havens									
Bahamas	15.6	1.5	11.8	*	0.6	0.1	1.1	0.5	75.7
Bahrain	1.1	0.1	1.0	-	*	*	*	*	91.3
Bermuda	21.1	2.6	14.5	0.1	0.2	1.1	2.0	0.6	68.6
Cayman Islands	8.7	0.2	8.3	*	*	0.1	0.1	0.1	94.6
Costa Rica	0.9	0.7	*	*	*	-	*	0.1	4.2
Hong Kong	17.4	8.3	7.0	0.1	0.1	*	0.5	1.4	40.1
Liberia	1.5	0.1	1.5	-	*	-	*	*	96.1
Liechtenstein	10.2	2.3	4.8	*	0.2	1.3	1.3	0.4	46.5
Panama	18.9	1.3	15.4	0.5	*	*	0.6	1.0	81.2
Singapore	2.1	0.4	0.2	*	*	*	1.4	*	10.8
Total	97.5	17.5	64.3	0.7	1.1	2.6	7.1	4.1	66.0
All Tax Haven Countries	1,891.8	96.8	1,451.0	1.4	16.0	61.6	105.3	159.7	76.7
Non Tax Haven Countries	2,559.3	417.0	1,604.2	9.8	25.7	81.0	249.9	171.7	62.7

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* Indicates less than $50,000.

Sum of components may not add to totals due to rounding.

Source: Statistics Division, Internal Revenue Service, unpublished tabulations on "Nonresident Alien Income and tax withheld as reported on Forms 1042S" by calendar year.

Table 5

U.S. Gross Income Paid to Nonresident Aliens and Foreign Corporations in Tax Haven Areas Within and Without the U.S. Treaty Network, by Type of Income, 1975-1978

(Millions of Dollars)

	1975					1976				
	Gross Amount of Income	Types of Income Paid				Gross Amount of Income	Types of Income Paid			
		Interest	Dividends	Royalties	Other		Interest	Dividends	Royalties	Other
All countries, total	2,599.3	561.5	1,682.9	204.6	150.3	3,352.8	550.3	2,268.2	318.5	215.8
Treaty countries, total	2,387.5	505.9	1,558.9	193.9	128.9	3,039.5	462.6	2,102.9	301.2	172.8
Tax havens[1/]	1,052.9	212.3	795.5	29.6	15.6	1,217.7	196.2	922.3	70.4	28.9
Other	1,334.6	293.6	763.4	164.3	113.3	1,821.8	266.5	1,180.7	230.8	143.9
Nontreaty countries, total	211.8	55.6	124.1	10.7	21.4	313.3	87.6	165.3	17.4	43.0
Tax havens[2/]	47.6	8.3	33.9	2.5	3.0	37.3	3.8	25.7	1.8	6.1
Other	164.1	47.4	90.2	8.2	18.4	275.9	83.9	139.6	15.5	36.9

Table 5 (cont'd)

U.S. Gross Income Paid to Nonresident Aliens and Foreign Corporations in Tax Haven Areas Within and Without the U.S. Treaty Network, by Type of Income, 1975-1978

(Millions of Dollars)

	1977	1977	1977	1977	1977	1978	1978	1978	1978	1978
	Gross Amount of Income	Types of Income Paid				Gross Amount of Income	Types of Income Paid			
		Interest	Dividends	Royalties	Other		Interest	Dividends	Royalties	Other
All countries, total	3,207.0	659.5	2,026.8	307.6	213.1	4,451.1	990.9	2,867.6	356.4	236.1
Treaty countries, total	2,890.4	590.0	1,847.6	284.3	168.4	3,947.9	826.9	2,595.7	331.1	194.2
Tax havens 1/	1,207.5	273.6	850.2	46.7	37.0	1,794.3	305.8	1,388.2	74.1	26.2
Other	1,682.8	316.4	997.4	237.6	131.4	2,153.6	521.1	1,207.6	257.0	168.0
Nontreaty countries, total	316.6	69.4	179.2	23.3	44.6	503.1	164.1	271.9	25.3	41.9
Tax havens 2/	80.2	9.0	55.0	7.3	8.9	97.5	15.1	67.5	7.8	7.1
Other	236.4	60.4	124.3	16.0	35.8	405.7	149.0	204.3	17.5	34.9

1/ Major tax havens with U.S. Tax Treaties cover data from the following countries: Luxembourg, Netherlands, Netherlands Antilles, Switzerland, British Virgin Islands, Barbados and St. Christopher-Nevis.

2/ See Table 2 for list of tax haven countries without U.S. Tax Treaties.

Sum of components may not add to totals due to rounding.

Source: Statistics Division, Internal Revenue Service, unpublished tabulations on "Nonresident Alien Income and tax withheld as reported on Forms 1042S" by calendar year.

Table 6

Percent Change in U.S. Gross Income Paid to Nonresident Aliens and Foreign Corporations in Tax Haven Areas Within and Without the U.S. Treaty Network, by Type of Income, 1975-1978

(In Percents)

	Gross Amount of Income	Type of Income Paid			
		Interest	Dividends	Royalties	Other
All countries, total	71.2	76.5	70.4	74.3	57.1
Treaty countries, total	65.4	63.4	66.5	70.8	50.6
Tax havens [1]	70.4	44.0	74.5	150.4	68.5
Other	61.4	77.5	58.2	56.5	48.2
Nontreaty countries, total	137.6	194.8	119.1	136.6	96.2
Tax havens [2]	104.6	82.2	99.1	219.4	135.1
Other	147.1	214.5	126.6	112.0	89.9

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[1] See Table 5 for list of major tax haven countries with U.S. Tax Treaties.

[2] See Table 2 for list of tax haven countries without U.S. Tax Treaties.

Source: Statistics Division, Internal Revenue Service, unpublished tabulations on "Nonresident Alien Income and tax withheld as reported on Forms 1042S" by calendar year.

Table 7

U.S. Gross Income Paid to Nonresident Aliens and Foreign Corporations in Individual Tax Haven Areas Within and Without the U.S. Treaty Network, by Type of Income, 1975-1978

(Millions of Dollars)

	1975 Gross Amount of Income	1975 Types of Income Paid				1976 Gross Amount of Income	1976 Types of Income Paid			
		Interest	Dividends	Royalties	Other		Interest	Dividends	Royalties	Other
Treaty tax havens										
Luxembourg	40.4	6.8	33.6	*	0.1	24.6	4.9	19.0	0.1	0.6
Netherlands	199.4	6.4	180.6	10.5	1.9	350.1	15.1	322.0	7.4	5.5
Netherlands Antilles	212.1	137.6	67.8	5.7	1.0	215.9	100.9	77.6	34.7	2.8
Switzerland	599.6	61.4	513.2	13.2	11.8	623.9	75.0	502.8	28.1	17.9
British Virgin Islands	1.2	0.1	0.2	0.2	0.7	1.0	0.1	0.7	0.1	*
Barbados	0.2	*	0.1	*	0.1	2.2	*	0.1	*	2.1
St. Christopher-Nevis	*	-	*	-	*	*	*	*	-	*
Total	1,052.9	212.3	795.5	29.6	15.6	1,217.7	196.2	922.3	70.4	28.9
Nontreaty tax havens										
Bahamas	9.3	1.5	6.8	0.1	0.9	7.1	0.5	5.9	0.1	0.6
Bermuda	9.8	1.5	7.8	*	0.5	8.5	1.4	3.7	0.2	3.2
Cayman Islands	2.5	1.2	1.2	-	*	1.4	0.2	1.0	0.3	*
Costa Rica	0.4	*	0.2	*	0.1	0.1	*	0.1	*	*
Panama	7.2	1.2	4.1	1.6	0.4	3.6	0.6	2.1	0.7	0.2
Bahrain	0.8	0.1	0.7	*	*	0.5	-	0.5	*	*
Hong Kong	8.6	1.3	6.7	0.1	0.4	7.2	0.6	6.1	0.1	0.4
Liberia	0.6	0.3	0.3	*	*	1.2	0.1	1.1	-	*
Liechtenstein	7.8	0.6	6.0	0.5	0.6	5.8	0.3	5.1	0.4	*
Singapore	0.7	0.5	0.2	*	*	1.9	0.1	0.2	*	1.7
Total	47.6	8.3	33.9	2.4	3.0	37.3	3.8	25.7	1.8	6.1

Table 7 (cont'd)

U.S. Gross Income Paid to Nonresident Aliens and Foreign Corporations in Individual Tax Haven Areas Within and Without the U.S. Treaty Network, by Type of Income, 1975-1978

(Millions of Dollars)

	1977 Gross Amount of Income	1977 Types of Income Paid				1978 Gross Amount of Income	1978 Types of Income Paid			
		Interest	Dividends	Royalties	Other		Interest	Dividends	Royalties	Other
Treaty tax havens										
Luxembourg	18.5	4.3	14.2	*	0.1	21.1	6.0	14.2	*	0.9
Netherlands	346.1	81.3	246.1	8.8	9.9	415.3	35.5	331.7	35.1	13.0
Netherlands Antilles	159.9	97.5	54.0	6.5	1.9	190.8	127.0	51.2	11.3	1.2
Switzerland	673.7	88.4	534.1	31.1	20.1	1,158.1	135.4	985.0	26.7	11.0
British Virgin Islands	4.1	2.1	1.6	0.3	0.1	8.2	1.7	5.4	1.0	*
Barbados	5.1	*	0.1	*	5.0	0.5	0.1	0.3	*	0.1
St. Christopher-Nevis	*	-	*	*	*	0.4	*	0.4	-	*
Total	1,207.5	273.6	850.2	46.7	37.0	1,794.3	305.8	1,388.2	74.1	26.2
Nontreaty tax havens										
Bahamas	15.5	1.0	13.8	*	0.6	15.6	1.0	14.1	0.3	0.1
Bermuda	22.3	1.8	11.8	3.3	5.4	21.1	2.6	12.9	3.7	1.8
Cayman Islands	4.8	1.4	3.1	0.1	0.1	8.7	3.6	2.9	0.4	1.8
Costa Rica	0.7	0.1	0.4	*	0.2	0.9	0.1	0.4	*	0.4
Panama	12.8	2.7	6.6	3.1	0.4	18.9	4.8	10.5	2.8	0.8
Bahrain	0.7	*	0.7	*	*	1.1	*	1.0	*	*
Hong Kong	13.3	1.2	10.8	0.1	1.2	17.4	1.3	14.9	0.2	1.1
Liberia	1.3	0.1	1.1	*	0.1	1.5	0.2	0.6	*	0.8
Liechtenstein	7.4	0.6	5.4	0.6	0.8	10.2	1.1	8.5	0.4	0.2
Singapore	1.5	0.1	1.3	*	*	2.1	0.3	1.7	*	*
Total	80.2	9.0	55.0	7.3	8.9	97.5	15.1	67.5	7.8	7.1

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* Indicates less than $50,000.

Sum of components may not add to totals due to rounding.

Source: Statistics Division, Internal Revenue Service, unpublished tabulations on "Nonresident Alien Income and tax withheld as reported on Forms 1042S" by calendar year.

Table 8

Types of Royalty Income Paid to Nonresident Aliens and Foreign Corporations in Six Tax Haven Areas[1/] Receiving the Largest Royalty Payments, 1975-1978

(Millions of Dollars)

		Type of Royalty Paid			
	Total Royalties	Industrial	Motion Picture and TV Copyright	Other Copyright	Real Property and Natural Resources
1975					
Netherlands	10.5	9.6	-	0.9	*
Switzerland	13.2	7.5	2.8	2.5	0.4
Netherlands Antilles	5.7	3.3	2.0	0.1	0.3
British Virgin Islands	0.2	-	-	0.2	*
Bermuda	*	-	-	-	*
Panama	1.6	0.9	0.4	*	0.3
Six Country, Total	31.2	21.3	5.1	3.7	1.0
1976					
Netherlands	7.4	5.5	-	1.9	0.1
Switzerland	28.1	24.4	1.5	1.7	0.6
Netherlands Antilles	34.7	2.0	31.7	*	1.0
British Virgin Islands	0.1	*	-	*	0.1
Bermuda	0.2	-	*	0.1	0.1
Panama	0.7	-	0.1	*	0.6
Six Country, Total	71.2	31.9	33.3	3.7	2.4

Table 8 (cont'd)

Types of Royalty Income Paid to Nonresident Aliens and Foreign Corporations in Six Tax Haven Areas[1] Receiving the Largest Royalty Payments, 1975-1978

(Millions of Dollars)

		Type of Royalty Paid			
	Total Royalties	Industrial	Motion Picture and TV Copyright	Other Copy-right	Real Property and Natural Resources
1977					
Netherlands	8.8	6.3	0.8	1.3	0.4
Switzerland	31.1	28.4	0.5	1.6	0.5
Netherlands Antilles	6.5	2.3	2.0	*	2.1
British Virgin Islands	0.3	-	*	0.1	0.2
Bermuda	3.3	3.1	-	*	0.2
Panama	3.1	2.4	0.1	*	0.6
Six Country, Total	53.1	42.6	3.4	3.0	4.1
1978					
Netherlands	35.1	12.1	0.3	22.7	*
Switzerland	26.7	20.4	2.4	2.4	1.5
Netherlands Antilles	11.3	1.3	1.7	0.7	7.5
British Virgin Islands	1.0	*	0.2	0.8	0.1
Bermuda	3.7	3.7	-	*	*
Panama	2.8	1.8	*	*	0.9
Six Country, Total	80.6	39.3	4.5	26.7	10.2

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[1] These are the areas which received royalty payments in excess of $1,000,000 in 1978.

* Indicates less than $50,000.

Sum of components may not add to totals due to rounding.

Source: Statistics Division, Internal Revenue Service, unpublished tabulations on "Nonresident Alien Income and tax withheld as reported on Forms 1042S" by calendar year.

Table 9

U.S. Gross Income Paid to Nonresident Aliens and Foreign Corporations in Tax Haven and Other Areas, 1965, 1975-1978

(Millions of Dollars)

Tax Haven Area and Type of Income	Gross Income Paid					Percent Change 1975-1978	1978 Tax Withheld as a percent of 1978 Gross Income Paid
	1965	1975	1976	1977	1978		
Bahamas							
Interest	N.A.	1.5	0.5	1.0	1.0		
Dividends	N.A.	6.8	5.9	13.8	14.1		
Other	N.A.	1.1	0.7	0.6	0.5		
Total		9.3	7.1	15.5	15.6	68.0	27.8
Barbados							
Interest	N.A.	*	*	*	0.1		
Dividends	N.A.	0.1	0.1	0.1	0.3		
Other	N.A.	0.1	2.1	5.0	0.1		
Total		0.2	2.2	5.1	0.5	186.4	12.3
Bermuda							
Interest	N.A.	1.5	1.4	1.8	2.6		
Dividends	N.A.	7.8	3.7	11.8	12.9		
Other	N.A.	0.5	3.4	8.8	5.6		
Total		9.8	8.5	22.3	21.1	115.9	26.6
British Virgin Islands							
Interest	N.A.	0.1	0.1	2.1	1.7		
Dividends	N.A.	0.2	0.7	1.6	5.4		
Other	N.A.	1.0	0.1	0.4	1.1		
Total		1.2	1.0	4.1	8.2	560.0	9.4
Cayman Islands							
Interest	N.A.	1.2	0.2	1.4	3.6		
Dividends	N.A.	1.2	1.0	3.1	2.9		
Other	N.A.	*	0.3	0.3	2.2		
Total		2.5	1.4	4.8	8.7	252.1	12.8

Table 9 (cont'd)
U.S. Gross Income Paid to Nonresident Aliens and Foreign Corporations in Tax Haven and Other Areas, 1965, 1975-1978
(Millions of Dollars)

Tax Haven Area and Type of Income	Gross Income Paid 1965	1975	1976	1977	1978	Percent Change 1975-1978	1978 Tax Withheld as a percent of 1978 Gross Income Paid
Costa Rica							
Interest	N.A.	*	*	0.1	0.1		
Dividends	N.A.	0.2	0.1	0.4	0.4		
Other	N.A.	0.2	*	0.2	0.4		
Total		0.4	0.1	0.7	0.9	94.1	26.8
Netherlands Antilles							
Interest	1.9	137.6	100.9	97.5	127.0		
Dividends	14.6	67.8	77.6	54.0	51.2		
Other	6.1	6.7	37.4	8.3	12.5		
Total	22.7	212.1	215.9	159.9	190.8	-10.1	6.4
Panama							
Interest	N.A.	1.2	0.6	2.7	4.8		
Dividends	N.A.	4.1	2.1	6.6	10.5		
Other	N.A.	1.9	0.9	3.5	3.6		
Total		7.2	3.6	12.8	18.9	161.1	22.1
St. Christopher-Nevis							
Interest	N.A.	-	*	-	*		
Dividends	N.A.	*	*	*	0.4		
Other	N.A.	*	*	*	*		
Total		*	*	*	0.4	1/	15.0
Tax Havens in the Western Hemisphere							
Interest	N.A.	143.1	103.7	106.6	141.1		
Dividends	N.A.	88.2	91.2	91.5	98.1		
Other	N.A.	11.4	45.0	27.1	25.8		
Total		242.8	239.9	225.2	265.0	9.2	10.8

Table 9 (cont'd)
U.S. Gross Income Paid to Nonresident Aliens and Foreign Corporations in Tax Haven and Other Areas, 1965, 1975-1978
(Millions of Dollars)

Tax Haven Area and Type of Income	Gross Income Paid					Percent Change 1975-1978	1978 Tax Withheld as a percent of 1978 Gross Income Paid
	1965	1975	1976	1977	1978		
Bahrain							
Interest	N.A.	0.1	-	*	*		
Dividends	N.A.	0.7	0.5	0.7	1.0		
Other	N.A.	*	*	*	*		
Total		0.8	0.5	0.7	1.1	37.6	29.1
Hong Kong							
Interest	N.A.	1.3	0.6	1.2	1.3		
Dividends	N.A.	6.7	6.1	10.8	14.9		
Other	N.A.	0.5	0.5	1.2	1.3		
Total		8.6	7.2	13.3	17.4	103.5	28.4
Liberia							
Interest	N.A.	0.3	0.1	0.1	0.2		
Dividends	N.A.	0.3	1.1	1.1	0.6		
Other	N.A.	*	*	0.1	0.8		
Total		0.6	1.2	1.3	1.5	144.2	28.5
Liechtenstein							
Interest	N.A.	0.6	0.3	0.6	1.1		
Dividends	N.A.	6.0	5.1	5.4	8.5		
Other	N.A.	1.2	0.4	1.5	0.6		
Total		7.8	5.8	7.4	10.2	31.7	27.8
Luxembourg							
Interest	*	6.8	4.9	4.3	6.0		
Dividends	2.1	33.6	19.0	14.2	14.2		
Other	0.2	0.1	0.7	0.1	0.9		
Total	2.4	40.4	24.6	18.5	21.1	-47.9	17.5

Table 9 (cont'd)
U.S. Gross Income Paid to Nonresident Aliens and Foreign Corporations in Tax Haven and Other Areas, 1965, 1975-1978
(Millions of Dollars)

Tax Haven Area and Type of Income	Gross Income Paid					Percent Change 1975-1978	1978 Tax Withheld as a percent of 1978 Gross Income Paid
	1965	1975	1976	1977	1978		
Netherlands							
Interest	3.3	6.4	15.1	81.3	35.5		
Dividends	44.3	180.6	322.0	246.1	331.7		
Other	1.2	12.4	13.0	18.7	48.1		
Total	48.8	199.4	350.1	346.1	415.3	108.3	9.9
Singapore							
Interest	N.A.	0.5	0.1	0.1	0.3		
Dividends	N.A.	0.2	0.2	1.3	1.7		
Other	N.A.	*	1.7	*	*		
Total		0.7	1.9	1.5	2.1	195.2	9.8
Switzerland							
Interest	18.5	61.4	75.0	88.4	135.4		
Dividends	128.9	513.2	502.8	534.1	985.0		
Other	13.4	25.0	46.0	51.2	37.7		
Total	160.8	599.6	623.9	673.7	1,158.1	93.2	9.2
Tax Havens Outside of the Western Hemisphere							
Interest	N.A.	77.4	96.2	176.0	179.8		
Dividends	N.A.	741.2	856.8	813.7	1,357.6		
Other	N.A.	39.2	62.2	72.8	89.4		
Total		857.8	1,015.2	1,062.5	1,626.7	89.6	9.9
All Tax Haven Areas							
Interest	N.A.	220.5	199.9	282.7	320.8		
Dividends	N.A.	829.4	947.9	905.2	1,455.7		
Other	N.A.	50.6	107.2	99.9	115.2		
Total		1,100.6	1,255.0	1,287.7	1,891.8	71.9	10.0

Table 9 (cont'd)
U.S. Gross Income Paid to Nonresident Aliens and Foreign Corporations in Tax Haven and Other Areas, 1965, 1975-1978
(Millions of Dollars)

Tax Haven Area and Type of Income	Gross Income Paid					Percent Change 1975-1978	1978 Tax Withheld as a percent of 1978 Gross Income Paid
	1965	1975	1976	1977	1978		
All Non Tax Haven Areas							
Interest	N.A.	341.0	350.4	376.8	670.1		
Dividends	N.A.	853.5	1,320.3	1,121.6	1,411.9		
Other	N.A.	304.2	427.1	420.8	477.3		
Total		1,498.7	2,097.8	1,919.2	2,559.3	70.8	10.5
Total All Areas							
Interest	104.0	561.5	550.3	659.5	990.9		
Dividends	599.7	1,682.9	2,268.2	2,026.8	2,867.6		
Other	114.5	354.8	534.3	520.7	592.5		
Total	818.2	2,599.3	3,352.8	3,207.0	4,451.1	71.2	10.3
Tax Haven Areas as a Percent of Total Areas							
Interest	N.A.	39.3	36.3	42.9	32.4		
Dividends	N.A.	49.3	41.8	44.7	50.8		
Other	N.A.	14.3	20.1	19.2	19.4		
Total		42.3	37.4	40.2	42.5	-	-

1/ Percentage not computed because of small base period value.

Sum of components may not add to totals due to rounding.

* Indicates less than $50,000.

N.A. - Data not available.

Source: Statistics Division, Internal Revenue Service, unpublished tabulations on "Nonresident Alien Income and tax withheld as reported on Forms 1042S" by calendar year.

Table 10

U.S. Gross Income Paid to Nonresident Aliens and Foreign Corporations in Tax Haven and Other Areas by Type of Recipient, 1978

(Millions of Dollars)

Area	Total	Type of Recipient						
		Individual	Corporation	Partnership	Fiduciary	Nominee	Other	Unknown
Western Hemisphere tax havens								
Bahamas	15.6	1.5	11.8	*	0.6	0.1	1.1	0.5
Barbados	0.5	0.2	0.3	*	-	*	*	*
Bermuda	21.1	2.6	14.5	0.1	0.2	1.1	2.0	0.6
British Virgin Islands	8.2	0.2	7.7	-	*	0.1	*	0.1
Cayman Islands	8.7	0.2	8.3	*	*	0.1	0.1	0.1
Costa Rica	0.9	0.7	*	*	*	-	*	0.1
Netherlands Antilles	190.8	4.4	164.0	*	0.4	1.1	3.5	17.3
Panama	18.9	1.3	15.4	0.5	*	*	0.6	1.0
St. Christopher-Nevis	0.4	*	0.4	-	-	-	-	*
Total	265.0	11.3	222.4	0.7	1.2	2.5	7.4	19.6
Other tax havens								
Bahrain	1.1	0.1	1.0	-	*	*	*	*
Hong Kong	17.4	8.3	7.0	0.1	0.1	*	0.5	1.4
Liberia	1.5	0.1	1.5	-	*	-	*	*
Liechtenstein	10.2	2.3	4.8	*	0.2	1.3	1.3	0.4
Luxembourg	21.1	1.9	15.5	*	0.2	*	0.8	2.6
Netherlands	415.3	18.5	274.2	0.4	4.0	6.2	6.7	105.2
Singapore	2.1	0.4	0.2	*	*	*	1.4	*
Switzerland	1,158.1	54.0	924.5	0.2	10.2	51.6	87.2	30.4
Total	1,626.7	85.5	1,228.6	0.7	14.8	59.1	98.0	140.1
Tax haven areas, total	1,891.8	96.8	1,451.0	1.4	16.0	61.6	105.3	159.7
Non tax haven areas, total	2,559.3	417.0	1,604.2	9.8	25.7	81.0	249.9	171.7
Tax havens as a percent of total	42.5	18.8	47.5	12.4	38.3	43.2	29.7	48.2

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* Indicates less than $50,000.

Sum of components may not add to totals due to rounding.

Source: Statistics Division, Internal Revenue Service, unpublished tabulations on "Nonresident Alien Income and tax withheld as reported on Forms 1042S" by calendar year.

APPENDIX F
Supplementary Tables

Table 1	Level of Foreign Direct Investment in the United States at Year-End 1974, by Type of Account of Foreign Parent.
Table 2	Level of Foreign Direct Investment in the United States at Year-End 1974, by Type of Major Industry of U.S. Affiliate.
Table 3	Private Foreign Portfolio Investment in the United States at Year-End 1974, by Type of Investment and Area of Foreign Investor.
Table 4	Number of United States-Owned Foreign Corporations by Area and Percent of U.S. Ownership, 1970-79.
Table 5	Patterns of Growth in United States-Owned Foreign Corporations by Area and Percent of U.S. Ownership, 1970-79.
Table 6	Total Includable Income of U.S.-Controlled Foreign Corporations by Major Industry for Selected Years 1963-76.

Table 1

Level of Foreign Direct Investment in the United States at Year-End 1974, by Type of Account of Foreign Parent

(In Million Dollars)

Area	Total	Investments in U.S. Corporations			Investments in Unincorporated U.S. Affiliates[1]
		Capital Stock and Additional Paid-in Capital	Retained Earnings	Net Payable to U.S. Affiliates	
Tax haven areas					
Bahamas	246	266	-41	17	4
Bermuda and British Islands[2]	312	240	72	-22	21
Liechtenstein	66	37	5	18	7
Luxembourg	197	173	-43	68	0
Netherlands Antilles	1,408	291	890	186	42
Panama	318	225	59	8	26
Switzerland	2,002	651	504	732	116
Total of eight tax haven areas[3]	4,549	1,883	1,446	1,007	216
Type of account as a % of total	100.0	41.4	31.8	22.1	4.7
Total of all countries excluding the eight tax haven areas	26,512	11,267	9,702	4,417	1,127
Type of account as a % of total	100.0	42.4	36.6	16.7	4.3

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[1] Including branches of U. S. corporations.

[2] British Islands consist of British Antilles, British Virgin Islands, Cayman Islands, Monteserrat, Anguila, Nevis, St. Christopher(also known as St. Kitts), Antigua, Dominica, St. Lucia and St. Vincent.

[3] Data not available for Bahrain, Costa Rica, Hong Kong, Liberia and Singapore.

Source: U. S. Department of Commerce, Bureau of Economic Analysis, Foreign Direct Investment in the United States, Volume 2: Report of the Secretary of Commerce: Benchmark Survey, 1974. Washington: U. S. Government Printing Office (1976), Table A-5.

Table 2

Level of Foreign Direct Investment in the United States at Year - End 1974, by Type of Major Industry of U.S. Affiliate

(In Million Dollars)

Area	Total	Petroleum	Manufacturing	Wholesale Trade	Finance, Insurance, Real Estate	Other
Tax haven areas						
Bahamas	246	*	13	5	218	10
Bermuda and British Islands[1]	312	40	150	78	23	21
Liechtenstein	66	6	23	13	21	3
Luxemborg	197	*	D	38	D	5
Netherlands Antilles	1,408	D	D	D	580	19
Panama	318	D	D	D	189	8
Switzerland	2,002	D	1,245	299	312	D
Total of eight tax haven areas[2]	4,549	D	D	D	D	D
Total of all areas excluding the data on the havens	26,512	8,242	4,153	6,196	1,567	6,354
Type of Industry as as a % total	100	31.0	15.7	23.4	5.9	24.0

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* indicates less than $50,000.
D means suppressed to avoid disclosure of data on individual U.S. affiliates.

[1] The British Islands consist of British Antilles, British Virgin Islands, Cayman Islands, Monteserrat, Anguila, Nevis, St. Christopher (also known as ST. Kitts), Antigua, Dominica, St. Lucia and St. Vincent.

[2] Data were not available for Bahrain, Costa Rica, Hong Kong, Liberia and Singapore.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Foreign Direct Investment in the United States, Volume 2: Report of the Secretary of Commerce: Benchmark Survey, 1974. Washington: U.S. Government Printing Office (1976), Table A-7.

Table 3

Private Foreign Portfolio Investment in the United States at Year-End 1974, by Type of Investment and Area of Foreign Investor
(In Million Dollars)

Area	Total	Corporate Stocks	Corporate Bonds	Other Private Debt	Government Obligations
Bahamas	742	214	76	440	13
Bermuda	345	278	28	23	16
British West Indies[1]	114	80	4	30	*
Costa Rica	16	12	*	4	*
Netherlands Antilles and Surinam	541	318	84	114	25
Panama	231	183	4	39	5
Total Western Hemisphere tax haven areas	1,989	1,085	196	650	59
Hong Kong	173	160	6	5	1
Liberia	22	21	*	*	*
Liechtenstein	169	147	5	17	*
Luxembourg	761	347	189	222	3
Singapore	16	13	1	2	*
Switzerland	9,948	7,032	1,836	950	130
Total other tax haven areas	11,089	7,720	2,037	1,196	134
Total of all tax haven areas	13,078	8,805	2,233	1,846	193
Total of all areas	39,727	23,677	7,373	7,345	1,332
Tax-haven areas as a % of total	32.9	37.2	30.3	25.1	14.5

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[1] Consists of Anegada, Anguilla, Antigua, Barbuda, British Virgin Islands, Dominica, the Grenadines with Carriacau, Union, Cannouan, etc., Grenada, Jost Van Dykes, Montserrat, Nevis, Redonda, St. Christopher (St. Kitts), St. Lucia, St. Vincent, and Virgin Gorda.

*Indicates less than one-half million dollars.

Source: U.S. Treasury Department, Report to the Congress on Foreign Portfolio Investment in the United States Pursuant to the Foreign Investment Study Act of 1974. Washington: U.S. Government Printing Office, 1976. Table A-2.

Table 4

Number of U.S.-Owned Foreign Corporations by Area and Percent of U. S. Ownership, 1970-79

	Total	Percent U. S. Ownership							Controlled Foreign Corporations (CFCs)	Other (Total less CFCs)
		95-100	90-94	70-89	60-69	50-59	25-49	0-24		
Bahamas										
FY 1970	969	641	14	26	8	63	65	152	735	234
FY 1972	1,047	412	11	22	15	177	164	246	579	468
FY 1974	1,119	436	13	23	20	190	185	252	627	492
FY 1976	1,168	465	13	26	21	191	192	260	661	507
FY 1978	1,207	483	13	30	19	187	204	271	671	536
FY 1979	1,252	516	13	29	19	196	206	273	709	543
Bermuda										
FY 1970	212	150	1	11	5	10	15	20	176	36
FY 1972	310	177	3	7	3	40	34	46	216	94
FY 1974	456	274	3	6	6	57	49	61	331	125
FY 1976	618	373	3	9	7	83	67	76	450	168
FY 1978	851	526	4	10	8	101	99	103	613	238
FY 1979	957	601	4	10	8	115	107	112	695	262

Source: U. S. Treasury Department, Internal Revenue Service, unpublished tabulations from Form 959.

Number of U.S.-Owned Foreign Corporations by Area and Percent of U. S. Ownership, 1970-79

British Islands	Total	Percent U. S. Ownership							Controlled Foreign Corporations (CFCs)	Other (Total less CFCs)
		95-100	90-94	70-89	60-69	50-59	25-49	0-24		
FY 1970	69	48	1	5	3	4	3	5	59	10
FY 1972	114	50	1	--	5	20	20	18	73	41
FY 1974	203	87	1	3	7	38	35	32	129	74
FY 1976	398	175	2	8	10	86	69	48	261	137
FY 1978	601	276	3	10	10	116	113	73	376	225
FY 1979	717	333	5	11	14	130	131	93	455	262
Costa Rica										
FY 1970	133	58	8	10	5	8	24	20	88	45
FY 1972	162	61	2	8	3	19	35	34	87	75
FY 1974	192	80	2	8	3	23	36	40	108	84
FY 1976	244	109	2	9	3	28	48	45	139	105
FY 1978	270	115	3	13	4	37	54	44	158	112
FY 1979	291	129	3	15	4	40	53	47	176	115

Source: U. S. Treasury Department, Internal Revenue Service, unpublished tabulations from Form 959.

Number of U.S.-Owned Foreign Corporations by Area and Percent of U. S. Ownership, 1970-79

	Total	Percent U. S. Ownership							Controlled Foreign Corporations (CFCs)	Other (Total less CFCs)
		95-100	90-94	70-89	60-69	50-59	25-49	0-24		
Netherlands Antilles										
FY 1970	139	106	---	6	1	6	4	16	118	21
FY 1972	212	142	1	5	1	28	14	21	166	46
FY 1974	267	177	1	5	1	36	23	24	202	65
FY 1976	325	204	3	8	1	47	35	27	234	91
FY 1978	406	242	3	7	3	66	45	40	295	111
FY 1979	479	276	4	8	4	79	59	49	339	140
Panama										
FY 1970	1,339	954	25	53	29	66	79	133	1,120	219
FY 1972	1,455	635	3	16	13	247	253	288	799	656
FY 1974	1,608	724	4	19	15	268	273	305	910	698
FY 1976	1,755	779	2	21	15	300	306	332	974	781
FY 1978	1,907	836	4	32	16	346	311	362	1,074	833
FY 1979	1,982	869	4	36	17	357	330	369	1,118	864

Source: U. S. Treasury Department, Internal Revenue Service, unpublished tabulations from Form 959.

Number of U.S.-Owned Foreign Corporations by Area and Percent of U. S. Ownership, 1970-79

Western Hemisphere Tax Haven Areas	Total	Percent U. S. Ownership 95-100	90-94	70-89	60-69	50-59	25-49	0-24	Controlled Foreign Corporations (CFCs)	Other (Total less CFCs)
FY 1970	2,861	1,957	49	111	51	157	190	346	2,296	565
FY 1972	3,300	1,477	21	58	40	531	520	653	1,920	1,380
FY 1974	3,845	1,778	24	64	52	612	601	714	2,307	1,538
FY 1976	4,508	2,105	25	81	57	735	717	788	2,719	1,789
FY 1978	5,242	2,478	30	102	60	853	826	893	3,187	2,055
FY 1979	5,678	2,724	33	109	66	917	886	943	3,492	2,186
Bahrain										
FY 1970	1	--	--	--	--	--	--	1	1	0
FY 1972	3	1	*	*	*	*	*	2	1	2
FY 1974	4	1	--	--	--	--	--	3	2	2
FY 1976	4	1	*	*	*	*	1	2	1	3
FY 1978	5	1	--	--	--	--	1	3	1	4
FY 1979	6	1	--	--	--	--	1	4	1	5

Source: U. S. Treasury Department, Internal Revenue Service, unpublished tabulations from Form 959.

*Indicates amounts less than 1 percent.

Number of U.S.-Owned Foreign Corporations by Area and Percent of U. S. Ownership, 1970-79

	Total	Percent U. S. Ownership							Controlled Foreign Corporations (CFCs)	Other (Total less CFCs)
		95-100	90-94	70-89	60-69	50-59	25-49	0-24		
Hong Kong										
FY 1970	371	223	3	12	10	37	35	51	280	91
FY 1972	466	163	4	14	6	110	92	77	252	214
FY 1974	614	232	6	17	11	132	122	94	354	260
FY 1976	765	299	6	22	14	173	146	105	460	305
FY 1978	917	370	9	25	17	206	176	114	562	355
FY 1979	1,034	430	9	25	18	225	197	130	633	401
Liberia										
FY 1970	554	397	6	24	9	27	29	62	460	94
FY 1972	662	351	1	9	4	75	84	138	404	258
FY 1974	821	444	2	9	4	103	98	161	508	313
FY 1976	928	486	2	14	5	133	115	173	573	355
FY 1978	1,028	539	1	16	5	149	130	188	630	398
FY 1979	1,129	617	3	17	6	158	133	195	723	406

Source: U. S. Treasury Department, Internal Revenue Service, unpublished tabulations from Form 959.

Number of U.S.-Owned Foreign Corporations by Area and Percent of U. S. Ownership, 1970-79

	Total	Percent U. S. Ownership							Controlled Foreign Corporations (CFCs)	Other (Total less CFCs)
		95-100	90-94	70-89	60-69	50-59	25-49	0-24		
Liechtenstein										
FY 1970	178	129	3	1	2	14	9	20	146	32
FY 1972	204	106	2	3	2	44	22	25	142	62
FY 1974	238	130	2	3	2	49	26	26	168	70
FY 1976	275	150	2	4	2	55	31	31	191	84
FY 1978	286	152	2	6	1	58	33	34	185	101
FY 1979	292	152	2	7	1	60	34	36	185	107
Luxembourg										
FY 1970	132	83	5	4	1	10	14	15	99	33
FY 1972	179	71	6	7	2	27	36	30	101	78
FY 1974	208	85	6	5	1	35	42	34	129	99
FY 1976	220	86	6	5	1	42	45	35	112	108
FY 1978	231	93	6	7	2	42	46	35	129	102
FY 1979	231	92	7	7	1	39	47	38	120	111

Source: U. S. Treasury Department, Internal Revenue Service, unpublished tabulations from Form 959.

Number of U.S.-Owned Foreign Corporations by Area and Percent of U. S. Ownership, 1970-79

	Total	Percent U. S. Ownership							Controlled Foreign Corporations (CFCs)	Other (Total less CFCs)
		95-100	90-94	70-89	60-69	50-59	25-49	0-24		
Switzerland										
FY 1970	1,345	916	25	70	27	95	91	121	1,121	224
FY 1972	1,527	815	19	39	37	253	214	150	1,111	416
FY 1974	1,707	929	25	40	34	274	243	162	1,236	471
FY 1976	1,861	1,027	31	47	38	293	249	176	1,369	492
FY 1978	1,995	1,099	35	49	37	317	274	184	1,458	537
FY 1979	2,024	1,120	35	48	37	328	268	188	1,488	536
Other Tax Haven Areas										
FY 1970	2,581	1,748	42	111	49	183	178	270	2,107	474
FY 1972	3,041	1,507	32	72	51	509	448	422	2,011	1,030
FY 1974	3,592	1,821	41	74	52	593	531	480	2,377	1,213
FY 1976	4,053	2,049	47	92	60	696	587	522	2,706	1,347
FY 1978	4,462	2,254	53	103	62	772	660	558	2,965	1,497
FY 1979	4,716	2,412	56	104	63	810	680	591	3,150	1,566

Source: U. S. Treasury Department, Internal Revenue Service, unpublished tabulations from Form 959.

Number of U.S.-Owned Foreign Corporations by Area and Percent of U. S. Ownership, 1970-79

	Total	Percent U. S. Ownership							Controlled Foreign Corporations (CFCs)	Other (Total less CFCs)
		95-100	90-94	70-89	60-69	50-59	25-49	0-24		
Total Tax Haven Areas										
FY 1970	5,442	3,705	91	222	100	340	368	616	4,403	1,039
FY 1972	6,341	2,984	53	130	91	1,040	968	1,075	3,931	2,410
FY 1974	7,437	3,599	65	138	104	1,205	1,132	1,194	4,684	2,751
FY 1976	8,561	4,154	72	173	117	1,431	1,304	1,310	5,425	3,136
FY 1978	9,704	4,732	83	205	122	1,625	1,486	1,451	6,152	3,552
FY 1979	10,394	5,136	89	213	129	1,727	1,566	1,534	6,642	3,752
All Non-Tax Haven Areas										
FY 1970	34,191	18,077	509	2,053	1,297	3,246	3,386	5,543	24,850	9,341
FY 1972	38,239	16,981	454	1,690	1,190	5,963	6,714	5,647	25,167	13,072
FY 1974	43,184	19,454	526	1,939	1,231	6,579	7,322	6,133	28,444	14,742
FY 1976	46,813	21,624	579	2,006	1,226	7,101	7,809	6,468	31,079	15,734
FY 1978	49,959	23,395	647	2,184	1,235	7,573	8,276	6,649	33,414	16,545
FY 1979	52,114	24,583	652	2,224	1,274	7,759	8,480	7,142	34,848	17,266

Source: U. S. Treasury Department, Internal Revenue Service, unpublished tabulations from Form 959.

Number of U.S.-Owned Foreign Corporations by Area and Percent of U. S. Ownership, 1970-79

All Areas	Total	Percent U. S. Ownership							Controlled Foreign Corporations (CFCs)	Other (Total less CFCs)
		95-100	90-94	70-89	60-69	50-59	25-49	0-24		
FY 1970	39,633	21,782	600	2,275	1,397	3,586	3,754	6,159	29,253	10,380
FY 1972	44,580	19,965	507	1,820	1,281	7,003	7,682	6,722	29,098	15,482
FY 1974	50,621	23,053	591	2,077	1,335	7,784	8,454	7,327	33,128	17,493
FY 1976	55,374	25,778	651	2,179	1,343	8,532	9,113	7,778	36,504	18,870
FY 1978	59,663	28,127	730	2,389	1,357	9,198	9,762	8,100	39,566	20,097
FY 1979	62,508	29,719	741	2,437	1,403	9,486	10,046	8,676	41,490	21,018

Table 5

Patterns of Growth in U.S.-Owned Foreign Corporations by Area and Percent of U.S. Ownership, 1970-1979

(In Percents)

	1970-74			1974-79		
	CFCs[1/] Owned 95-100%	Other CFCs	Other than CFCs[2]	CFCs[1/] Owned 95-100%	Other CFCs	Other than CFCs[2/]
Total Western Hemisphere Tax haven areas	-9.1	56.0	172.2	53.2	45.2	42.1
Bahamas	-32.0	103.2	110.3	18.4	1.0	10.4
Bermuda	82.7	119.2	247.2	19.3	64.9	109.6
British Islands[3/]	81.3	281.8	640.0	284.8	290.5	254.1
Costa Rica	37.9	-6.7	86.7	61.3	67.9	36.9
Netherlands Antilles	67.0	108.3	209.5	55.9	152.0	115.4
Panama	-24.1	12.0	218.7	20.0	33.9	23.8
Total other tax haven areas	4.2	54.8	155.9	32.5	32.7	29.1
Bahrain	-	100.0	-	100.0	-	150.0
Hong Kong	4.0	114.0	185.7	85.3	66.4	54.2
Liberia	11.8	39.0	233.0	1.6	65.6	29.7
Liechtenstein	0.8	123.5	118.8	16.9	-0.1	52.9
Luxembourg	2.4	50.0	200.0	8.2	16.7	12.1
Switzerland	1.4	49.8	110.3	20.6	19.9	13.8
Total tax haven areas	-2.9	55.4	164.8	42.7	38.8	36.4
Non tax haven areas	7.6	32.7	57.8	26.4	14.2	17.1

[1/] CFCs stands for controlled foreign corporations. A controlled foreign corporation is a foreign corportion where more than 50 percent of all the voting stock of which is owned by U.S. shareholders.

[2/] To be considered U.S.-owned, there must be at least five percent ownership.

[3/] British Islands consist of British Antilles, British Virgin Islands, Cayman Islands, Montesserat, Anguila, Nevis, St. Christopher (also known as St. Kitts), Antigua, Dominica, St. Lucia and St. Vincent.

Source: U.S. Treasury Department, Internal Revenue Service, unpublished tabulations from Form 959.

Table 6

Total Includable Income[1] of U.S.-Controlled Foreign Corporations by Major Industry for Selected Years 1963-1976**

(In Million Dollars)

	1963	1964	1966[2]	1968	1970	1972	1974	1975	1976[3]
Number of returns, total	117	145	n.a.	217	288	334	327	333	434
Includable income, total	4.3	74.8	63.5	90.5	96.6	100.8	398.1	338.9	929.6
Income by Industry									
Agriculture, Forestry, Fishery	-	-	0.1	-	-	-	-	-	-
Mining	*	*	4.2	0.3	0.2	*	*	14.5	18.9
Contract construction	-	0.1	0.5	1.9	0.3	6.2	*	2.6	16.7
Manufacturing	3.8	63.4	37.7	67.5	78.1	74.8	401.2	268.5	793.7
Transportation, Communication, Electric, Gas, and Sanitary Services	*	0.1	3.6	4.1	2.4	6.5	10.4	15.8	11.7
Wholesale and Retail Trade	*	1.2	5.2	4.6	1.7	0.8	28.5	21.2	64.3
Finance, Insurance, & Real Estate	0.3	0.4	8.1	9.3	10.4	6.0	20.1	10.7	7.8
Services	0.2	9.7	4.1	2.7	3.5	2.8	6.9	5.7	16.4

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[1] Includable income consists of relevant Subpart F and other incomes which are not actually received from a Controlled Foreign Corporation, but which are reported by the parent corporation and taxable.

[2] The data for 1966 represent the revised estimates which were presented in Statistics of Income, Corporation Income Tax Returns 1966, p. 203.

[3] The 1976 data are unreviewed and unpublished.

- indicates zero.

* indicates data are less than $50,000.

** Sum of components may not add to total due to rounding.

Source: U.S. Department of the Treasury, Internal Revenue Service, Statistics of Income, Corporation Income Tax Returns, 1963-1975.

APPENDIX G
Analysis of Data on IRC 482 Adjustments

Section 482 of the Internal Revenue Code provides that the Secretary or his delegate may distribute, apportion or allocate gross income, deductions, credits or allowances between or among organizations, trades or businesses which are owned or controlled directly or indirectly by the same interests, in order to prevent the evasion of taxes or clearly reflect income of any such organizations, trades or businesses. The application of this part of the Tax Code is particularly important to larger multinational corporations who are in a position to shift income to related foreign entities through pricing arrangements.

In 1979 the tax value of IRC 482 adjustments proposed by international examiners was $500 million. This value represented 36 percent of the total tax value of all adjustments proposed by international examiners. Table 1 illustrates the total tax value of all recommended international adjustments for the period of 1970 to 1979. Specific data for IRC 482 adjustments for years prior to 1979 are not available. However, one can assume that a large portion of these international adjustments, possibly 25 to 50 percent, would represent IRC 482 adjustments.

Precise estimates of the value of IRC 482 adjustments for previous years cannot be prepared because separate records were not kept on such adjustments. Variables which determine the size of the annual adjustments are the number of years in an audit cycle, the number and size of taxpayers examined and the type of issues raised by the examiners. Changes in these factors may result in considerable year-to-year fluctuations in proposed tax adjustments by international examiners.

Table 1
Total Income Tax Value of Recommended Adjustments
Proposed by International Examiners, 1970-1979
(Millions of Dollars)

Fiscal Year	Value	IRC 482 Adjustments	% of Total
1970	$ 331.8	--	--
1971	204.8	--	--
1972	407.3	--	--
1973	700.9	--	--
1974	703.9	--	--
1975	880.3	--	--
1976	596.6	--	--
1977	736.7	--	--
1978	857.5	--	--
1979	1,400.0	500.0	36

Source: Internal Revenue Service, Examination Division, International Programs Section

Section 482 - Characteristics

As described, Section 482 is concerned with the determination of the arm's-length price between related or controlled entities. There are several types of IRC 482 issues that may be raised. The principal types of pricing adjustments were illustrated in a U.S. Treasury Study of IRC 482.[1] This study, for the years 1968 and 1969, revealed the following types and amounts of allocations of income that would increase the income tax liability of U.S. companies.

Types of Adjustment	Amount (In millions)	Percent
Tangible Property	$312.5	47
Services	127.0	19
Interest	75.9	11
Intangibles	52.4	8
Allocation of Expense	52.3	8
Allocation of Net Income	40.7	6
Other	1.3	-
Total	$ 662.1	100

It is to be noted that the dollar amounts in this two-year study reflect adjustments to income as opposed to adjustments to tax as presented in Table 1. As demonstrated, the largest proposed adjustments by examination personnel for these two years involved the pricing of tangible goods and services. Together they accounted for 66 percent of all IRC 482 adjustments.

This Treasury study examined 871 international cases where potential IRC 482 adjustments were considered. Actual Section 482 adjustments were made in 458 cases which is 53 percent of the total cases examined. For larger taxpayers (with assets over $250 million) 158 IRC 482 adjustments were considered and 121 adjustments proposed. Although adjustments to tangible property represented the largest dollar source of adjustments, the most numerous type of adjustments were changes in interest charges between the U.S. parent and the foreign sudsidiary.

A separate survey of IRC 482 was conducted by Dr. Jane Burns.[2] This independent survey of IRC 482 experiences questioned larger U.S. industrial corporations that had indicated having foreign exports or investments. A total of 62 usable questioners were utilized for her report. This study included the years 1966 to 1976, and indicated that over this period 53 percent of the respondents reported having Section 482 adjustments. The amount of tax adjustments ranged from $1,000 to almost $7 million. The average adjustment was nearly $1 million per year per company for this period.

The subsidiaries for which adjustments were proposed were classified into the following three categories relating to the relative tax status of the subsidiary:

	Percent of Adjustments
Sudsidiaries taxed at equal to or above U.S. tax rates	41
Subsidiaries taxed at rates below those in the United States	22
U.S. Tax Incentive Subsidiaries (Including: Western Hemisphere Trade Corporations, Domestic International Sales Corporation, and U.S. Possession Corporations)	37

These data from the Burn's study would suggest that IRC 482 adjustments often (in approximately 60 percent of the cases) involve a subsidiary having either a tax rate lower than the U.S. rate or one that enjoys a special tax advantage under U.S. law. However, disregarding U.S. tax incentive subsidiaries (e.g., Possession Corporations in Puerto Rico), the subsidiaries in higher or equivalent tax areas represented the larger percentage of IRC 482 adjustments. Subsidiaries operating in the lower tax rate areas represented the smaller percentage of IRC 482 adjustments.

One reason the proportion of IRC 482 adjustments to the income of subsidiaries in the high tax areas may exceed those in the low tax areas may be the type and/or industry of the subsidiary. Manufacturing subsidiaries, trading companies or other subsidiaries involved in the sale of tangible property may often be located in higher tax countries, while lower tax countries may have a higher proportion of financial companies, such as holding companies, or self insurance companies, which are less likely to be affected by IRC 482 regulations.

NOTES TO ANALYSIS OF 482 DATA

[1] U.S. Treasury Department, Summary Study of International Cases Involving Section 482 of the Internal Revenue Code (1973).

[2] Burns, Jane O. "How IRS Applies the Intercompany Pricing Rules of Section 482: A Corporate Survey," The Journal of Taxation (May 1980), pp. 308-314.

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